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HONGKONG JUNIOR CHAMBER OF COMMERCE

One autumn evening in 1915, a group of 32 young men in St. Louis, Missouri, U.S.A., met under the leadership of one Henry Giessenbier and formed the "Young Men's Progressive Civic Association". Within a year the new organisation had so impressed the President of the St. Louis Chamber of Commerce with its idealism and enthusiasm that he permitted it to share his Chamber's office space and clerical facilities. In appreciation of this generous gesture the young men amended the name of their Association to the "St. Louis Junior Chamber of Commerce". Thus was born The Junior Chamber of Commerce which has so expanded that today the Chambers subscribing to Junior Chamber International (the central authority of the National Chapters) are active in 60 countries of the World and embrace a total membership of over 300,000 young business and professional men.

Although the Jaycee idea spread rapidly throughout the Americas and the Western World, offering to young men, as it did, a wonderful opportunity for self-expression, the movement did not reach Asia until 1947 when it took root in the Philippines. The inception of Junior Chamber International in 1944 had provided the stimulus which carried the Jaycee movement to the Philippines. Through the Philippines, Jaycee reached Hongkong.

Towards the end of 1949 a representative of the Philippines Junior Chamber movement visited Hongkong on an extension tour. This delegate attracted the interest of the Rev. Fr. E. Bourke, S.J., former headmaster of Wah Yan College, who arranged for a meeting where the meaning of J.C. was explained to a number of young Hongkong

business men. The idea was enthusiastically received and, after considerable groundwork, the Hongkong Chamber was formally inaugurated on 6th May, 1950, by Roberto Villanueva, the J.C.I. Vice President for Asia, in the distinguished presence of Sir Arthur and Lady Morse, Mr. C. C. Roberts, Chairman of the Hongkong General Chamber of Commerce, and many other local dignitaries and representatives of the business community.

The poet has said: "Large streams from little fountains flow, Tall oaks from little acorns grow" Thus with Jaycee in Hongkong.

Among the objects of the newly inaugurated organisation (later to find verbal expression in its Memorandum and Articles of Association), were the encouragement and advancement of mutual understanding amongst young men in Hongkong regardless of race or creed; the fostering in its members of an awareness of civic responsibilities; the promotion of the commercial and professional activities of members; the promotion of the trade and industry of Hongkong; and the support of charitable and social welfare activities. Seldom had the Jaycee idea been launched into a more receptive community. As an established commercial and a rising industrial metropolis, Hongkong had an appreciable number of active young men of all nationalities, eager to absorb the Jaycee creed. Today the Hongkong Chamber has grown to over 180 members composed of a dozen different nationalities.

Hongkong's prestige and standing in the world of Junior Chamber International has also grown spectacularly. Only eight months after its inception, it was called upon to organise the first Regional

Conference of Asia. Again in 1954 it was asked to organise the Fourth Regional Conference of Asia and this was done with such marked success as to receive international commendation. Within four years of Hongkong's arrival on the J.C.I. scene it has produced one International Commission Chairman and two Regional Vice-Presidents. At Regional and World Congresses the voice of Hongkong has been listened to with increasing respect.

One might reasonably ask "Who is the Hongkong Jaycee, and what does he hope to gain from membership of such a movement?" Membership of the Junior Chamber is open to any young man of good character between the ages of 21 and 40. The average age of the newly admitted member in Hongkong is 32, and the representative age is 30 to 34. Over four-fifths of Hongkong Jaycees are married with an average of two children. Two-thirds of the membership is Chinese, the remainder is composed of 11 nationalities; American, Australian, British, Dutch, French, Indian, Indonesian, Japanese, Pakistani, Philippine and Portuguese. Three out of every five Jaycees have attended universities and over half are car-owners. In their employment 13% are listed as Managing Directors, 32% as Managers, 23% as Assistant Managers, 10% as Proprietors, 10% as professional men (Engineers, Consuls, Technicians, etc.) and 12% others.

What, then, does a member of Junior Chamber hope to obtain from the organisation? To appreciate the answer to this question it is necessary to understand the structure of Hongkong Jaycee. The Chamber is governed by a Board of Directors, elected by democratic vote from amongst active members, and consisting of a President, Vice-President, Hon. Secretary, Treasurer and five Directors. Within the Chamber and each controlled by a Chairman appointed by the Board there are eight Committees, viz. Civic Affairs, Economic Affairs, Education, Fund Raising, J.C.I. Affairs, Membership, Programme, and Publicity. Each of these Committees has its elected Secretary and Treasurer and new members may join one or more of these Committees as inclination dictates.

Thus the young man, under 40, can choose according to his interests. By Committee work incurring the acceptance of responsibility; by public speaking; by mixing in committee and socially with young professional and business men of diverse backgrounds, nationalities and views; by being encouraged in the obligations of citizenship and in the ideal of social service to the community, the Junior Chamber member is offered a medium of leadership-training and character-building which would be difficult to find in any other organisation.

In the realm of practical accomplishment in the social sphere Hongkong Junior Chamber can point with satisfaction to: (1) The establishment of 13 Children's Libraries in Hongkong and the New Territories including a Mobile Library to serve outlying districts. (2) The provision of a fully equipped Recreation Centre in the Chuk Yuen

Resettlement Area. (3) The affording of 35 Scholarships to deserving local students; a full Medical Scholarship for a woman student. (4) Scholarships covering board, lodging and tuition for six Singapore students to study for four years at Hongkong colleges. (5) The entertainment each year of several thousands of needy children at beach picnics, Christmas parties, film shows, etc. (6) Distribution of toys to Hospitals. (7) Active participation in J.C.I. relief schemes such as "Operation Brotherhood" 1955 (5 tons of medical supplies to Vietnam for refugees); "Operation Warmth" 1953 (40 packages of clothing to Greek earthquake victims) etc.

The cost of these projects places a fairly heavy financial burden on the Hongkong Chamber. Funds are raised by direct contribution from Jaycees and Jaycee sympathisers; by the organising of charity dances, concerts, gala film premieres, etc.; and by appealing to the general business community for assistances on such occasions by advertisement, donations, etc. A survey carried out in 1954 showed that, of the financial outlay in that year, the Junior Chamber bore 16% from subscription, Jaycees and Jaycee friends donated 38%, and the balance 46% was realised from proceeds of the various social functions mentioned.

Passing reference has been made above to the position which Hongkong has obtained in the international field of Junior Chamber. The Hongkong Chamber has been described as "J.C.I. in miniature" on many occasions and recently by the visiting President of the U.S. Junior Chamber of Commerce. Hongkong is justly proud of its unique structure and its position within the J.C.I. world. It can look back with satisfaction on its past record, and it is now looking forward with eagerness to its supreme challenge. In November this year in Edinburgh, Scotland, the X Congress of J.C.I. convenes. Several hundred members of Junior Chambers of Commerce from over sixty nations of the world (72 from the State of Texas alone!) will meet to discuss problems of international Trade and Commerce, Education and Social Service; to promote international understanding and goodwill; to resolve the problems and approve a programme for J.C.I. next year. Speakers during the Congress will include the Minister of State for Commonwealth Relations and the United States Ambassador to the United Kingdom, a measure of the stature of "Jaycee" in the eyes of the democratic world.

On this notable occasion Hongkong Junior Chamber of Commerce, with the unanimous support of Burma, Ceylon, China (Taiwan), India, Indonesia, Japan, Korea, Federation of Malaya, Pakistan, Philippines, Singapore, Thailand and Vietnam, will nominate Hongkong Jaycee Arnaldo de Oliveira Sales as President of Junior Chamber International for the year 1956. A. de O. Sales needs no introduction in Hongkong. His record of service to the community is an inspiration to the Hongkong Chamber. If he is elected the Hongkong Junior Chamber may justly feel that it has truly made its

JAPAN-SOVIET TERRITORIAL QUESTION

One of the most important issues pending between Japan and the Soviet Union as their representatives continue the negotiation in London for normalizing their relations, is the territorial question. This question concerns the disposition of three areas. They are: (1) the Habomai island chain and Shikotan Island; (2) the Kurile Islands; and (3) South Sakhalin. All these areas were recognized indisputably as Japanese territory and administered by Japan before her surrender in World War II. However, the Soviet Union occupied them militarily shortly before or after the termination of hostilities and subsequently incorporated them arbitrarily into its territory without waiting for the negotiation of a peace settlement with Japan. It must be admitted, of course, that Japan waived all right, title and claim to the Kurile Islands and South Sakhalin under the San Francisco Peace Treaty. But since the Soviet Union refused to sign the San Francisco Peace Treaty the provisions of the Treaty are not applicable to the Soviet Union. Accordingly, the territorial question still remains unsettled between the two countries. Furthermore, it should be noted that the Habomai group and Shikotan Island are not part of the Kurile Islands, her rights to which Japan waived under the San Francisco Treaty.

The Habomai chain consists of several islets which lie off Nemuro Peninsula in Hokkaido, one of the four main islands of Japan. Shikotan Island is located off the farthest tip of the Habomai chain. The Habomais and Shikotan constitute an extension of Nemuro Peninsula. Geologically, both these islands and the Peninsula are of Mesozoic formation while, topographically, both islands have the common characteristics of being gently undulating plains. On its northern side, parallel with this island group, lie the Kurile Islands, extending 1,200 kilometers between Hokkaido and Kamchatka Peninsula. The Kurile Islands are mainly of Tertiary formation. They are definitely of later origin than the Habomai chain and Shikotan Island. Moreover, they are spread over by numerous active volcanoes. The entire island group looks like a chain of volcanoes towering from the sea bottom and forms a geographic unit completely independent of the Habomais and Shikotan. The Habomai group and Shikotan are separated from the Nemuro area of Hokkaido by only a narrow strip of water—the Goyomai Channel which is only about four miles wide. These islands have thus maintained close ties with Hokkaido from olden times. They have never been under possession by any country other than Japan, nor has any country ever disputed Japan's title to these islands.

The area abounds in marine life such as crabs, salmon, codfish, sharks, scallops as well as whales and "kombu" (edible sea-weed). The development of this area has been in progress since the late 1800's and its production of "kombu", in particular, constituted about 40 per cent of Hokkaido's entire output in 1940. In parallel with the development of this area, the population of these islands also increased.

mark in the International Junior Chamber field. The Crown Colony of Hongkong, in becoming the focal point of the Jaycee world, will receive a tremendous publicity boost. Thus in "coming of age" in J.C.I., the Hongkong Junior Chamber of Commerce will render a major service to the community. Jaycee is proud to be in and of Hongkong; Hongkong has good reason to be proud of Jaycee.

The prewar permanent population, at its peak, was approximately 6,000 on the Habomais and approximately 1,000 on Shikotan. Besides, during the annual fishing season, more than 1,000 fishermen went from the mainland to these islands.

The Soviet occupation of this island chain has deprived the Nemuro area of its key economic support. The people who were forced to move out of their native islands have lost their basic means of livelihood. In particular, Habomai village, which administratively comprises the Habomai Islands and most of Nemuro Peninsula, has been cut off from its island components which form 60 per cent of its total area and previously contained 65 per cent of its total population.

The Kurile chain is composed of more than 30 islands and is equivalent in area to the Republic of Lebanon. Japan discovered this island chain centuries ago. A Japanese-made map dating as far back as the early 1600's carries a drawing of the "Kurile Islands". Although not entirely accurate in shape, the names listed correspond for the most part to what the islands are called at present. The Japanese people at that time regarded these islands as part of their territory. On the other hand, European maps, including Russian ones, of that time left those areas blank. In the early 1700's the Russians trekked down to the Northern Kuriles by the way of Kamchatka Peninsula. They gradually moved farther south and by around 1870 extended their influence to the area north of Uruppu Island. Prior to this, Japan had already established her control up to such islands as Kunashiri and Etorofu, which are located closer to Hokkaido. Officials were stationed on these islands to administer the newly settled Japanese as well as the original inhabitants, the Ainu. In the early part of the 19th century, the Russian influence which spread southward from the Northern Kuriles finally came into contact near Uruppu Island with Japanese influence based in the southern Kuriles. This gave rise to the necessity of establishing a border between the two countries in this area. Thus, under the Japanese-Russian Treaty of Amity of 1855, it was agreed that Russia would hold the Kurile islands north of Uruppu and Japan the islands south of Etorofu. The Treaty of 1855 failed, however, to mark out a Japanese-Russian boundary in Sakhalin. Thus, the two countries agreed to maintain the status quo without fixing the border. Taking advantage of the ambiguous situation left by this treaty, Russia advanced into South Sakhalin by resorting to arms. Pressure was gradually applied to the Japanese fishermen in South Sakhalin to force them out. In the closing part of the 1860's, Japan faced the threat of completely losing her foothold in Sakhalin.

The Japanese Government then decided to abandon Sakhalin and concluded the Sakhalin-Kuriles Exchange Treaty in 1875. Under this Treaty Japan obtained full territorial rights to the Kurile Islands north of Uruppu—which had become Russian territory under the above-mentioned Treaty of 1855—in exchange for the whole of Sakhalin. This, however, was a costly deal for Japan. Admitting this fact, Russia consented in compensation to recognize and keep intact the vested fishing interests in Sakhalin of Japanese nationals and exempt them from taxes as well as to extend most favored nation treatment to Japanese fisheries in the Okhotsk Sea and Kamchatka waters.

The most important industry in the Kurile Islands is fishing and the principal catches are salmon, crab and codfish.

HONGKONG HOUSING AND RENT CONTROL

There is at present under consideration an important modification of the Rent Control Ordinance: namely to fix at 60 times the standard rent the compensation allowed a tenant in case of evictions, when an old house is pulled down to make room for a new one. Comment in the press and from various groups purporting to represent public opinion has been at the usual low level of vague generalities, lamentations or invective, and totally lacking in the necessary factual and numerical information. In the present article is attempted a brief setting down of such points that come naturally to mind when Rent, Rent Control and Housing are under discussion. While these are short and rough notes only, they may be considered better than the sad vacuum encountered so far.

Salmon fishing in the Northern Kuriles was rapidly developed from around 1933 and soon accounted for 40 per cent of Japan's salmon catch. Fishing in the Northern Kuriles was of a seasonal nature with fishermen going out on expeditions from the mainland of Japan, while on Kunashiri and Etorofu Islands, the Japanese there were permanent settlers, engaged not only in fishery but in agriculture, stock-raising and forestry. The Japanese population in the Kuriles increased with the development of industries there. The pre-war permanent population exceeded 10,000 while the migratory fishing population from mainland Japan averaged 20,000 yearly.

Sakhalin south of latitude 50 degrees north, which had become Russian territory under the Treaty of 1875, came into Japanese possession under the Portsmouth Treaty of 1905. However, well before the Treaty of 1875 and before any other country entered the scene, Japan had been in control of the natives of South Sakhalin. And since the late 1700's, Japan had been actively engaging in the development of this area. On the other hand, Russia occupied Aniva Bay by military force in 1853 and on the strength of this fait accompli approached Japan with a proposal to fix the boundary in Sakhalin. But the negotiations failed and the two countries agreed under the Treaty of 1855 to maintain the status quo without definitely fixing the border, as previously mentioned. Taking advantage of this Treaty which left the boundary unsettled, Russia used armed force to advance into South Sakhalin. The pressure applied on Japan's established fishing interests there finally resulted in Japan's relinquishment of her territorial rights to South Sakhalin under the Treaty of 1875. After taking the whole of Sakhalin into her possession, Russia attempted to develop it with prisoner labor but failed to achieve results. In the meantime, the Japanese fishermen who were permitted to continue operations in Sakhalin increased their catch as much as 37 times in 30 years. It was these historical facts in the background that led to the restoration of South Sakhalin to Japan under the Portsmouth Treaty of 1905.

Subsequently Japan vigorously embarked on the economic development of South Sakhalin and achieved epochal results in the short space of 40 odd years. South Sakhalin supplied upwards of 70 per cent of the timber required by Japan's paper industry. Development of the fisheries, forestry and mining industries was also remarkable. And this industrial development was accompanied by a steady increase in population, bringing it to over 400,000 by the end of the war, an expansion of more than 30 times in 40 years.

The great majority of our population (92%) live in Cubicles and in Bedspaces; a small minority only (8%) have a flat or a house. A survey made in 1950 gave the following figures for 1,000 families.

One Room	685	Hut	30
Bedspace	120	Squatters	8
Verandah	23	Roof	1
Cockloft	23	Flat	82
Junk or Sampan	13	House	8

If 92% of the people here live in Rooms, Cubicles, Bedspaces and the like, then this is the kind of accommodation that ought to come first in consideration; but those people who give out what is called Public Opinion are generally flat dwellers, and their attention and recommendations are centered on flats. These people include members of various organisations, contributors to the correspondence column of the newspapers, editors, lawyers, and this circumstance is at the root of a good deal of misunderstanding from the start; there are of course many exceptions, and the writer has in mind persons like Mr. Keen, of the Social Welfare office, and the Kai Fong associations who have a view of housing that is both realistic and independent.

In 1952 the Kai Fong welfare associations conducted a survey of 650 "floors" in prewar tenement houses. The average rent of a cubicle including "other charges" was \$33 and of a bedspace \$17. In general it was found that "the majority of subtenants are paying a rent which is close to the open market rent for the congested accommodation which is available". This admission is of first importance: it means that after thirty years, Rent-Control is still a dead letter at the level of the subtenant, that is 80% to 90% of the population. On the other hand it is operative at the level of the landlord and the chief tenant (the amount of rent paid by the principal tenants in the majority of cases may be regarded as reasonably conforming to that allowed by statute). In other words the landlords receive only the permitted rent, or about one and a half times the prewar rent; but the subtenants pay the "open market rent" or in fact what the traffic will bear; economic rents have gone up with the price of everything, or with the depreciation of the currency, that is about five or six times. A "floor" with a rent of \$38 prewar brings the landlord about \$50, but the subtenants pay together to the chief tenant \$200 to \$250. These were roughly average conditions in 1952. It must be understood that conditions differed widely, and also that principal tenants had the choice either of occupying premises at a fraction of their true rent, or of subletting at a sizable profit. In short, persons who had the good luck to be in occupation of a flat or a floor in 1945 were in fact offered a living between \$100 and \$200 a month in a city where average wages are very low.

The respective rent of various types of accommodations moves roughly in sympathy, as do the various cuts of beef or the different grades of rice, and we may write the very approximate sequence.

	Bedspace	Cubicle	Room	Flat
1940	\$ 2.50	6	30	80
1952	\$14	33	150	450
1954	\$17	36	Nothing Known	
1955	Nothing Known			

It is not always clearly realised that there is a free competitive market in rooms and rents. When a landlord or a

chief tenant lets a cubicle for \$35 and not for \$46, his chief motive is that if he puts up his price too high, then another landlord will offer the same kind of accommodation for \$36; he would not let and would receive no rent. In the same way, a thrifty Chinese housewife, who knows the value of money, does not snatch the first cubicle that offers, but goes from door to door until she gets the best value for her limited means. As the landlord is in competition with all other landlords, so is the housewife in competition with all other housewives; if she does not offer \$36 then she will get no cubicle because another housewife will snatch it up at the price. This kind of competition and bargaining goes on continually between all landlords on the one hand, and between all housewives and prospective tenants on the other; and it extends to all classes of accommodation.

In late spring 1954, there was a great increase in litigation; out of some twenty cases where the amount of rent was stated in court, the average was for cubicle \$36 and for bedspaces \$17. About that time the Secretary for Chinese Affairs, Mr. Todd, stated that cubicles could be had for \$25 and \$30; but with payment of \$500 and \$600 in keymoney. As \$60 keymoney equates \$1 monthly rent, the rents quoted become \$31 and \$35.

In view of the seriousness of the housing situation it is difficult to understand why a new sample survey at least on a small scale has not been made, as it is obviously essential to follow the trend of rents, more particularly at the level of Cubicles and Bedspaces.

Through Rent Control, the landlord of a "floor" is forced to accept in full payment only about one fifth of what is actually paid by subtenants; he will for instance receive \$50 and \$180 will go to the chief tenant. If nine tenths of our population, or 1,900,000, live in prewar premises—and if they were all living under tenement house conditions, that is 17 persons to a floor, the total number of floors would be about 106,000; and the total yearly loss in rents would be $105,000 \times 180 \times 12$ or about \$240 millions. A certain proportion of prewar house property consists in fact of middle class flats and rented in 1940 at a higher level than tenement floors. The loss on this kind of property is therefore greater, and the over-all loss to landlords would be some \$300,000,000 a year.

House property has always been the traditional repository of capital and savings for the Chinese middle class; a successful, a thrifty man, is not said to have so many lakhs, but to have so many houses. There can be no doubt that rent-control has had a serious effect on this interesting class of persons, who form the solid backbone of any society.

There is here a very important implication which is not generally realised: it is this, that if Rent Control were suddenly to disappear, it would not affect those people who live in Cubicles and Bedspaces, for they already pay the maximum that they are capable of paying. In their case the rent could not go up, because they do not, as a body or as a class, earn the wages, in the aggregate, that would be necessary to pay a higher scale of rents.

The disappearance of Rent Control would not make any difference to them; it would, on the other hand, make a great deal of difference, first, to those who rent flats and "floors", in particular to the large class of chief tenants, who would then pay the "economic" or free market rent of the accommodation they occupy, and second, to landlords who would collect the commercial value of their property.

It ought to be obvious to all that construction, not Rent, is the central point of the whole situation. The house shortage will be cured by building more houses, not by Rent Control or other short term palliatives; if it is shown that Rent Control is inimical to building, then a less emotional, a more realistic appraisal of the situation is in order; and first

of all periodic surveys and critical studies which are sadly lacking.

The only official figures that have come down to the public are that building is at the rate of 1,000 houses a year, at a total cost of \$146,000,000. This is at the rate of one house per thousand of population. As an indication West Germany built last year 500,000 houses, or one house per hundred of population, a difference of 2,000%. While conditions are admittedly different, these figures show what value we can give to repeated, fatuous assertions that "construction is booming".

The facts about building were made crystal clear when the case of the To Sau Girls School came before the Tenancy Tribunal and was as follows: the proposed new structure was to consist of 19 European style flats; Cost of site \$350,000, Cost of building \$400,000; Total cost \$750,000, Cost of each flat \$39,400. Rent of each flat about \$600, on an average. Gross interest about 17% from which presumably would be deducted rates and depreciation. Key-money could be paid in lieu of rent, so that \$66 keymoney equates \$1 monthly rent.

A more recent case last month gave figures not very differently except that the gross interest appeared to be 22%. At the remark that this was high, the solicitor in the case made the apt remark that, if the business were not profitable, "you would never get any landlord to put up these new buildings".

There is here a cardinal point which is never mentioned in local discourses; the market for construction capital is entirely free; as there is a free competitive market in rooms and rents, so there is also a free competitive market in capital. In a commercial centre such as Hongkong, there is continually new capital being formed and seeking profitable investment; owners of funds already invested are constantly on the look-out to switch to better forms of investment, taking into account all elements in each case: return, risk, marketability etc. Every owner of capital, large and small, is at all times entirely free to invest or reinvest his funds into house property; it is indeed what keeps rates of return where they are, or at about 20%. Building materials have gone up by 7% to 9% and there is an added and very serious risk of confiscation through Rent Control.

We have even from high officials the naive remark that "capital does not seem to be attracted to building"! Each week 5 to 10 millions go into launching new companies, and buying shares on the Stock Exchange while large sums are invested abroad. It was suggested recently that the members of the Rice Monopoly were losing money; as each firm is said to have invested at least one million in the rice business, what is there to stop them from turning their business over to someone else and becoming owners of house property.

There is as much misunderstanding on the subject of keymoney as on any other aspect of the housing situation and first because keymoney is both and at the same time forbidden in old premises and allowed in new ones. In the case of prewar premises, there was a well advertised case two or three years ago, where an offender was given a large fine, since which not a single case seems to have been reported, and whether keymoney in prewar property has altogether and suddenly disappeared, or whether it is tolerated, the reader must decide for himself. In the case of new premises, keymoney is a general and avowed practice (vide supra), and the general rate is that \$66 equate \$1 monthly rent. Keymoney is termed an "evil" officially and it is sometimes called a "racket" but it is in fact tolerated and the aggregate amount paid each year in keymoney must be very great.

If 1,000 houses are built each year, and if this corresponds roughly to 8,000 flats at the current estimated rate

POLITICAL AND ECONOMIC INFLUENCES IN MALAYA AND THE COMMUNISTS

In his book *Malaya: The Outline of a Colony* Dr. Victor Purcell asks the question: "Where did the modern Malays come from?" He answers: "This is a question as much debated, almost, as that of the gypsies. The answer seems to be that they came from many places." The most generally accepted theory is that, some seven thousand years ago, the

of keymoney of \$10,000 per flat, this works out at \$80,000-000 a year as keymoney for new property alone, to which must be added whatever keymoney is paid on account of prewar property.

This is termed the first evil arising out of Rent Control; it comes about when the occupier of a flat or "floor" who was in possession in 1945 does not choose to enjoy the whole accommodation supplied (at about 1/5th of its market value) but elects to sublet in whole or in part.

As seen above, each such occupier has been in fact offered with a living worth some \$100 to \$200 a month. What is the aggregate amount of the sums received by chief tenants when 75% of all "floors" are sublet? If the writer's estimate of some 100,000 flats or floors of prewar property is anything near the truth the total so perceived would be of the order of $150 \times 12 \times 75,000 = \$135,000,000$. In the absence of any recent official survey or sampling, and in the general obscurity that surrounds the whole problem of housing, these figures are, of course, entirely tentative.

At the same time, a tentative estimate can at least serve as a point of departure for a reasoned discussion, and is better than total ignorance, with which the public has had to be content so far. The appearance of this very large amount of \$100,000,000 a year has interesting political implications of its own. Let us suppose that there are as a first approximation 10,000 landlords, 100,000 chief tenants and 1,800,000 subtenants. Perpetuation of Rent Control then means: (1) a large loss to landlords, (2) a large profit to dwellers in flats and to chief tenants, (3) little change or no change to subtenants who already pay all that they are capable of paying.

This last class are not politically represented, and are not substantially affected by Rent Control. Landlords consist mostly of the Chinese upper middle class and are not politically represented; the only group represented in the councils of state is so-called big business.

Dwellers in flats and some chief tenants together, comprise many European residents, and what for want of a better term, we must call "the white collar class". These groups have lately acceded to some degree of political influence, due to recent changes in the electoral body of the Urban Council. These groups are articulate, organised and vocal; it is they who by and large form what is called "Public Opinion" in Hongkong; they write letters to the press, form political clubs and associations and have undoubtedly some influence on legislation. It is therefore to be expected that any measure favouring flat-dwellers and chief tenants will be hailed as democratic, popular, and excellent; while any measure favouring landlords will be called reactionary, odious and dangerous. The 92% of the people who live in cubicles and bedspaces are not in the running. "De minimis non curat practor".

— Critic

first men came down the peninsula from the continent of Asia. They crossed to Sumatra and may have moved on through the islands to become the ancestors of the aborigines of Australia. Three thousand years later, a new invasion came from Yunnan, in Southern China. These men stayed. Hindus came, and Thais from Siam, and by the fifteenth century a Malay kingdom, centred on the port of Malacca, was established on the west coast of the peninsula. In 1511 Malacca was captured by the Portuguese, the first Europeans to reach Malaya, and in 1641 was captured by the Dutch. The British, through the agency of the East India Company, came in 1786 and leased Penang from the Malays. During the Napoleonic wars, when Holland was part of Napoleon's dominion, rivalry between the British and Dutch was intensified on the coasts and in the islands. In 1810 a young official of the East India Company, Stamford Raffles, was appointed as the Company's agent in Malacca to prepare a British expedition against Java. As the result of this expedition, Java capitulated and Raffles was appointed Lieutenant-Governor. In 1814, at the Peace of Vienna, Java was returned to the Dutch and Raffles became Lieutenant-Governor of the British settlement of Bencoolen, on the south-west coast of Sumatra. In this office he was authorised by the Governor-General of India to seek a trading station south of Malacca. In 1819 he bought from the Sultan of Johore land on Singapore island, then a mangrove swamp with a population of 150. In 1824 the Dutch, by treaty, surrendered Malacca to the British in exchange for Bencoolen, and left Britain secure in Singapore. In the same year the Sultan ceded to the East India Company full sovereignty over the island.

Through a large part of the nineteenth century the purpose of Britain in the Malayan peninsula was to maintain commercial ports and secure freedom from piracy in the surrounding seas; she had no wish to interfere in the affairs of the Malay States. In 1872 the Singapore Chamber of Commerce was told by the Foreign Office that if traders, "prompted by the prospect of larger gains," chose to jeopardise their persons and property in Malaya they must expect no protection for either from the Government at home. But the effects of two events changed this policy: the growing importance of tin, and later the introduction of rubber.

Tin became important in the middle of the century. The Malay, by tradition a fisherman and rice grower, inapt for commerce and more interested in contentment than wealth, left the development of the tin industry to the Chinese, who migrated to the peninsula after 1870 in great numbers, both as miners and smelters. This was a grave error by the Malay people which may jeopardise their national future.

Tin had been mined in the country for centuries, and at the end of the eighteenth century the annual output was 250 tons; in 1937 it was over 50,000—a third of the world's total; and 25,000 tons of tin ore were imported, mainly from Siam, for smelting.

The first rubber seedlings were brought to the peninsula by the British in 1877. The Malay grew rubber on his own holding, but to supply the need of labourers on huge plantations a further immigration of Chinese, and of Indians, chiefly Tamils from Madras, was instigated by the foreign interests then in Malaya, with the increasing demand for rubber. In

1897 there were 345 acres of rubber in the peninsula; forty years later there were 3,300,000, producing more than 40 per cent of the world's supply.

British Expansion

In the early days these commercial developments were retarded by friction, and even by fighting, both among the Malay chiefs themselves and between the Malays and the Chinese immigrants and between rival Chinese secret societies. In 1872 the leading Chinese merchants petitioned the British Government to intervene "in the half civilised States of the Malay Peninsula". The petition drew a contrast between the lawlessness and turbulence of the southern States and the peacefulness of the northern States under Siamese suzerainty. Thereupon the Secretary of State for the Colonies asked the Governor of the Straits Settlements to ascertain what steps could be taken to restore law and order and to consider whether it would be advisable for a British Resident to be appointed in any of the States; but such an appointment could only be made "with the full consent of the native Government".

Within a year, three States accepted Residents, and the British, from their coastal stations of Penang, Malacca and stations of Penang, Malacca and Singapore, and through their Residents, gradually established peaceful conditions and exercised increasing political control. Of the nine States of the present Federation, four—Perak, Selangor, Negri Sembilan and Pahang—negotiated treaties with Britain in the latter half of the nineteenth century, and were federated as the Federated Malay States in 1897. By the Bangkok Treaty of 1909, Siam, in exchange for a modification of British extra-territorial jurisdiction in Siam, ceded her suzerainty over four more—Kedah, Kelantan, Trengganu and Perlis; and in 1914 Johore, the ninth and southernmost of the States, accepted a British Adviser. These five States became known as the Unfederated Malay States. All the States retained a large measure of internal autonomy, which is still guaranteed to them under the new Federal Constitution of 1948.

Chinese Position

When the war with Japan broke out in December 1941, the estimated population of the Federation was about four and a half millions, of whom about 40 per cent were Chinese; of these, only about a third were born in the country. The Chinese abroad cling to their family and national customs. They brought to the peninsula their own political groups and secret societies, and by 1927 there was established a strong and well-organised Kuomintang, or Chinese National Party. When, in that year, Chiang Kai-shek, the leader of the Nationalists in China, broke with the Communists, the Malayan Communist Party (M.C.P.) was formed, and there began "under-ground" war between the Chinese Nationalists and the Communists in Malaya.

Communism in the peninsula has found its predominant support among Chinese, although from time to time efforts have been made to include Indians in the party leadership. Most of the rubber estate labour is Indian, and there is a great deal of Indian labour at the ports and at the Singapore Naval Base. Indian agitators had British nationality and so could not be deported, as could the alien (but not the local-born) Chinese.

In 1939, the local Communists, taking their orders from Moscow, opposed the war against Nazi Germany and did their best to obstruct the war effort (principally through strikes) until the German invasion of Russia brought a reversal of policy. Offers of active help were then made to

the then Malayan Government both before and after the Japanese invasion, and towards the close of the campaign Communist volunteers were in action against the Japanese.

When the Japanese had completed their conquest of the peninsula, the "Malayan People's Anti-Japanese Army" (M.P.A.J.A.) came into being. This was the Communist-controlled guerilla organisation which took to the jungle during the Japanese occupation. There was also a so-called K.M.T. organisation which fought everybody, including the M.P.A.J.A. Guerilla activity during the Japanese occupation was on a very minor scale, but the M.P.A.J.A. was built up to assist in the liberation of the country when the Allied forces landed in strength according to plans made by South-East Asia Command. A small number of British officers, among them Colonel Spencer Chapman, the author of *The Jungle is Neutral*, had been working, in constant danger, with the guerillas from the beginning of the Japanese occupation in February 1942. As the plans for the liberation reached their climax, more British officers, N.C.O.s and wireless operators were dropped by parachute into the country, or landed by submarine, to act as liaison teams with the M.P.A.J.A. and to ensure that their military operations conformed to the Allied plan.

When satisfactory liaison was established, large quantities of automatic arms and ammunition and other equipment were parachuted to the guerillas, whose task it would be to disrupt the Japanese lines of communication when the Allied landings began.

Communist Action

Those responsible for these operations were under no illusions as to the political aims of the M.P.A.J.A., but, as in Yugoslavia the Allies advisedly gave support to Marshal Tito, an avowed Communist, against the occupying Nazi forces, so in the Malayan peninsula it was deemed to be to the ultimate advantage of the liberating forces of the South-East Asia Command to support and co-operate with the M.P.A.J.A.

But in August, 1945, a few days before the invasion fleet was due to leave Indian ports, Japan surrendered. While the surrender was completed in Tokyo and the occupation of Japan arranged, the M.P.A.J.A. came into the open in many parts of the peninsula, claiming that the victory was their doing, and that they would now take charge—a claim made plausible when it is realised that the people of the country had been starved of news by reason of the occupation, news including that of the Burma campaign, the essential preliminary to the liberation of the peninsula.

Arrangements were made by the British Military Administration and the South-East Asia Command for demobilisation, and at the beginning of December 1945 the guerillas were paid off and handed in arms. But the M.P.A.J.A. never fully disarmed; much of the equipment that had been dropped was kept, and, with or without Japanese connivance, quantities of Japanese war material found its way into the hands of the Communists. The guerillas left scores of secret armouries from which to equip themselves, and M.C.P. pamphlets and party literature in circulation at the end of the war and after the liberation show clearly that the object of the Communists was the creation of a Malayan Communist "People's Republic".

Post-War Constitutional Changes

After the end of the Japanese occupation, on September 5, 1945, the whole peninsula was under military ad-

ministration until April 1, 1946, and was divided into the two administrative areas which still continue—the mainland with Penang, and Singapore. In face of the problems created by the Japanese occupation, the need for a clearer and more firmly knit constitution in the Federation of Malaya became quickly apparent. Many months of discussion and negotiation followed between the British Government and the Rulers of the States, in consequence of which the original British wartime plan for a Malayan Union, set up on April 1, 1946, it was agreed should be replaced because of strong Malay opposition.

To enable all interested communities to have free and full opportunity of expressing their views a Consultative Committee was appointed. It received oral and written representations from interested persons and associations all over the country and had discussions with the Rulers and the representatives of the United Malays National Organisation. As a result of these deliberations it was recommended that a federation be set up which would include all the Malay States, and the Settlements of Penang and Malacca, but exclude Singapore, which would remain a separate political entity. On February 1, 1948, on the basis of Agreements signed on January 21, 1948, between King George the Sixth and the Rulers, the Federation of Malaya was inaugurated. Singapore was established as a separate Crown Colony.

Communist War

As the country settled down to post-war reconstruction, international Communism reared its head. In March, 1948, a meeting of representatives of Asian Communist parties was held in Calcutta. At this meeting the Burmese Communist Party decided to launch civil war in Burma, and from the same conference came orders for an armed revolt in the peninsula. Political and economic disruption in South-East Asia has long been one of the primary aims of Communist world strategy. In June, 1948, the units of the M.P.A.J.A. were mobilised again and terrorism began.

Following the practice first established by the Fascist and Nazi dictators, and carried out unvaryingly in the countries of Eastern Europe which since 1945 have been brought under Communist control, the attack was first concentrated upon the trade unions. The Communists began by setting up General Labour Unions and by infiltrating into newly formed trade unions which it was the post-war policy of the Governments to foster. The policy pursued was to secure as many of the key positions as possible for their own adherents in order to organise agitation and strike action, by which means they hoped to stultify the genuine efforts of labour leaders to develop responsible trade unionism. This policy reached its climax in Singapore in a plan to hold a mass public meeting and a procession of 100,000 people on May Day, 1948. The authorities were prepared to allow the public meeting, but not the procession, which would have been beyond the capacity of the police to control. The Communists threatened to hold both the meeting and procession in defiance of the Government. Prompt action by the authorities forestalled these threats and May Day passed quietly, but strike agitation and Communist propaganda continued up to the outbreak of the Emergency in the Federation.

By early 1948 the Communists were testing their strength by the promotion of strikes and labour unrest on trivial pretexts all over the country and resorting to violence, intimidation and extortion to enforce their will. In May, 1948, the Commissioner of Police told the Federal Legislative Council that the Police records showed a great increase in cases of intimidation. The Police had informa-

tion that extremist bodies had advised all workers in trade unions to resort to violence to secure their ends. He gave details of six political shootings which had taken place in April. On June 13 the High Commissioner referred to the "wave of violence" in labour disputes and said there had been ten murders and three attacks on European managers on estates. In the face of this growth of lawlessness in labour disputes, and of increasing evidence that the Communist agitators were using the unions for political purposes, the Federation Government revised the Trade Union Ordinance, not with the object of suppressing the unions but to ensure that they should in fact be trade unions, with their members organised for trade union purposes and their leaders either workers in the industries concerned or at least men with experience of these industries.

Until this revision in June, 1948, many of the unions had been controlled by the Pan-Malayan Federation of Trade Unions, which was a Communist-controlled and dominated organisation. It was not a federation of unions in the accepted sense of the term. It was an "organiser" of unions, and not a Federation formed by the unions.

In these circumstances the Federation Government drafted legislation, approved by the Legislative Council with only one dissenting vote, restricting federations of trade unions to federations of unions of similar trades, occupations and industries, and barring from trade union office persons convicted and imprisoned for such offences as criminal breach of trust, extortion and intimidation. Thereafter, strikes and labour unrest increased throughout the country.

The Emergency

On June 16, 1948, after a long series of murders, violence and sabotage, three European planters were murdered at Sungei Siput, in Perak, by a gang of armed Chinese. A State of Emergency was proclaimed in this and several other parts of Perak and in parts of Johore. Next day the Emergency was extended to the whole of these two States, and on June 18, after a gang had attacked the Police station at Jeram Choh, in Johore, the Emergency was proclaimed throughout the Federation. Similar powers were taken by the Singapore Government in July, 1948.

The Federation Government, with the approval of the Legislative Council, adopted special powers to deal with terrorism. Faced with the exercise of these powers, and finding that they had caused less disruption than they hoped for, the Malayan Communist Party took to the jungle, where they had hidden large quantities of arms and equipment against such an occasion. Their agents in the trade unions followed them, decamping with the funds of the unions and leaving them penniless.

The Communists' aims were to destroy the two basic industries of tin and rubber on which the country's economy largely depends and to kill as many estate and mine managers as possible, Europeans in particular, together with all persons of all races who opposed the Communist attack. They hoped to cause widespread disorder and disorganisation of industry with consequent unemployment of labour, and appealed to labour to leave the mines and estates and flock to grow food for the Communist forces. They would then declare certain areas "liberated areas" and fly the Communist flag over them. Eventually they hoped to declare, by August 1948, a so-called "People's Republic". They raised in their propaganda the cry of nationalism, but the response to the M.C.P. appeal to the people to join them in over-throwing the Government was a complete

failure. In spite of the dangers of the situation, particularly in isolated areas, the planters and miners and their labour forces held firm.

The people—the Malays in particular—rallied to the support of the Federation Government and flocked to take up arms in defence of their villages.

The most convincing words regarding terrorist propaganda have come from Dato Onn bin Ja'afar. Dato Onn is a leading Malay (Dato is a Malay title, roughly equivalent to "Sir"). He is a man of great ability, the founder of the United Malays National Organisation and latterly the Independence of Malaya Party, the aim of which is to instil a spirit of communal unity between the major races of the Federation. He is an acknowledged leader of Malayan nationalism. On July 5, 1948, addressing the Federal Legislative Council at a time when the State of Emergency had only just been declared but many attacks had been made and lives lost, Dato Onn said:

"It is not a situation that has come up suddenly. It is a situation that has been planned and organised for a number of years. To be exact, it was planned in September 1942—planned by Communist Party members in Malaya in a congregation not far from Kuala Lumpur, planned to create within Malaya itself what they choose to term 'The Malayan Communist Republic'. Let that be fully understood by everyone. It was out of that planning, it was on account of that objective, that what was termed in 1945 and up to the middle of 1946 as 'racial trouble' between the Chinese and the Malays cropped up. But let me assure my Chinese friends that that trouble was not started by Malays; that trouble was not started by the law-abiding Chinese; it was started by the very people we are fighting now. In 1945 I and others who were in Malaya through the Japanese occupation saw what was coming; we saw what was happening. We saw the terrorism of today applied to our own people; we saw the massacred; we saw their houses burnt and we knew why".

It has been made very clear that the Malayan Communist Party (M.C.P.) is the sole motive power behind the terrorists who have endangered, but not disrupted, communal life in the Malayan peninsula. The creed of the M.C.P. is that of international Communism and the Marxist-Leninist doctrine as re-stated and re-shaped by Stalin. Its object, set out in its propaganda, is to foment revolution, followed by totalitarian rule on the Russian model adapted for export. The membership of the party at the time of the declaration of the Emergency was between 12,000 and 14,000, of whom over 90 per cent were Chinese. In areas where the Malays predominate there is neither Communism nor terrorism.

Because of the nature of the country in which they operate it is difficult to estimate the strength of the terrorists, but the number under arms may be between 3,000 and 5,000. This number of Communists is maintained in the field by the activities in towns and villages of the Ming Yun (often incorrectly transcribed from the Chinese as Min Yuen). The literal translation of the words is "people's movement" or "mobilisation of the people". It is an organisation of civilian helpers, formed to collect food and other supplies for the terrorists.

Chinese Secret Societies

The Ming Yun is the latest in the long line of Chinese secret societies in the peninsula, a brief account of which

is necessary for the understanding of the power of Communist terrorism among the Malayan Chinese. Until the end of the nineteenth century, secret societies, known as the Triad Societies, were virtually the only authority recognised by the then largely immigrant Chinese. These societies had the power of life and death over their members. They settled all intra-Chinese disputes, exercised the power of civil and criminal courts and fought internecine wars.

In 1890 the Triads were declared illegal, but although they thereafter ceased to function as an indirect form of government they have never been entirely suppressed. The purely criminal elements in them continued a clandestine existence as gangs, living on the proceeds of gambling, extortion and prostitution. The Japanese occupation gave them a new lease of life and after the end of the war they flourished. The police took strong action against them; nevertheless in June 1948, in Singapore alone, there were still 300 secret society lodges and racketeering gangs, whose names revealed their direct descent from the Triads.

The whole history of the Chinese in the country has been one of tolerance of these societies, even when the motto of the Triads—"Obey Heaven and work righteousness" became a cover for the crudest forms of vice.

The M.C.P. followed, therefore, a familiar pattern. It had a public front and an underground movement. Its leaders appeared on party platforms, gave press interviews, directed the labour federations, opposed the new constitutions for the Federation and Singapore. Behind this front the party planted agents in the unions and fomented strikes, and kept hidden and greased the weapons the M.P.A.J.A. had failed to surrender after the end of the war.

It is by the surviving power of this long tradition of secret societies that the non-Communist Chinese in the country can be, and often are, coerced into helping Communism.

The Malays

The Malay had no such tradition, no such inclination, no long-standing interest in nationalism. The Japanese occupation, and the impetus to political development given by the introduction by the British of a constitution with a wider basis of citizenship have, however, begun to produce a radical change in the Malay character. The threat of Communism is rapidly developing this change.

The Malay of today is becoming more and more of a nationalist, more and more aware that the roots of power lie in economic wealth, and he is striving to develop a business sense. The effect of improved and expanded educational facilities, especially for the women of the country, is now becoming clear, and a new generation of Malays, aware of the struggles of this era, is being born.

By their industry, enterprise and shrewdness the Chinese had up to the Japanese occupation done a great deal to make the whole peninsula what it was: quite as much perhaps as had the British; but it was the Malays, under British guidance, who ruled the country. The purpose of the British today is still one of guidance, to create a nationalism transcending the narrower national allegiances of the inhabitants and to guide, with practical and material aid, the united peoples—Malays, Chinese, Indians and others—to responsible self-government.

ECONOMIC SURVEY OF MALAYA & BRITISH BORNEO

Both geography and history have made the economies of Malaya and British Borneo heavily dependent on external factors. Having been developed largely by overseas enterprise catering for export markets, the economies show a high degree of specialization in a few export commodities which constitute the major portion of the total exports. For the Federation of Malaya and Singapore the proportion of the gross national product contributed by export and value added on the re-export trade was on the average 35.5 per cent during 1947-50. Further, all the territories depend on imports for a part of their food supplies, and this is one of the factors which bring occasional pressure on foreign exchange resources, according to the U.N. Economic Survey for 1954.

Except for Singapore, the territories are sparsely populated. Though the present rate of natural increase is quite high, there is some immigration in all the territories to meet the need for certain types of labour; the age structure is such that the required labour supply is not always provided, and skilled labour is scarce. For the Borneo territories immigration will be necessary for some time, though it is bound to be regulated and selective.

Exploitation of natural resources, but for rubber and tin, can be carried much farther. In agriculture, the practice of bush-fallow cultivation, though confined to newly opened up areas, reduces the use of available cultivable land, involving abandonment of land for as long as 10-12 years, after only 2 years' use. In North Borneo during 1953 only about 2,500 sq km (3.3 per cent of the total area) were cultivated and 8,500 sq km (11 per cent of the total area) had more or less to be left fallow. This applies to Sarawak also but is not, however, a major problem in Malaya.

Insufficiency of domestic capital resources is a hindrance to economic development. In the Federation of Malaya, North Borneo and Sarawak, the United Kingdom Colonial Development and Welfare Fund and the inflow of funds from foreign investors offset, to a limited extent the deficiency of domestic capital.

While the governments regard all the territories as essentially free enterprise economies, there has been increased direction of economic affairs in all of them since the war. A large part of the activities of the governments in all territories has been directed to overcoming the two main defects of their economy, namely excessive dependence on a narrow range of products and inadequate local food supplies. Post-war scarcity of food supplies and dependence on food imports brought about State trading in food and imposition of food control in all the territories. Now although food control is only retained as an operational measure in disturbed areas, the Government of the Federation of Malaya still sells about 30 per cent of the total rice consumed. Rail transport is operated under direct control of the governments, while road transport and most of the air transport in Malaya are operated under a system of licences. Singapore has import quotas in respect of Japanese textiles and cement, and restrictions governing the expenditure of dollars. In the Federation of Malaya, licensing applies to imports from North and Central America, while cement and textiles from Japan and rice from Southeast Asian countries outside the sterling area are subject to quotas. Long range plans have been made in all the territories and attempts are now made to influence the develop-

ment of private enterprise in many different ways. On the other hand, there is no central bank in the territories and the currency is on a sterling exchange standard. No specific control is exercised over credit apart from the controls needed to link the value of the currency to sterling. There are also generally no central planning secretariats, the planning organs being different in different territories and exercising rather limited functions of co-ordination. There are however notable planning developments.

DEVELOPMENT PLANNING AND FINANCING

War-time destruction and the subsequent need for reconstruction brought in different development schemes and plans. The first fillip was given by the United Kingdom Colonial Development and Welfare Act of 1945, which allotted a sum of £5 million for a ten-year period ending March 1956 for development and welfare in the Federation of Malaya and Singapore, and a sum of £2.5 for North Borneo. While the plans in Singapore have been conceived chiefly to improve the standard of living and provide public services which have hitherto been lacking, those in other territories have been directed toward the fundamental aims of diversifying the economy and increasing the food production. It is recognized that transfer of factors of production from the main foreign exchange earners might lead to a temporary decline in national income. As there have been some differences in emphasis corresponding to the differences between the five territories, the plans are not integrated into a single co-ordinated plan.

In the Federation of Malaya plans are based on the original draft development plan for 1950-55 which was prepared by a special committee set up in 1947. The implementation of the development plan was delayed by the emergency which began in 1948. When the Colombo Plan was drawn up, the Federation's development plan was projected forward on the same basis of calculation to the six-year period 1951-57, together with certain other additional items of capital expenditure. Of this additional capital expenditure amounting to M\$ 169 million, M\$ 122 million was for education, housing, electricity, ports, and railway (rehabilitation), M\$ 47 million related to rural areas, and M\$ 7 million was for rehabilitation of war-damage. The Rural and Industrial Development Authority (RIDA), the Central Electricity Board and the Malayan Railway were brought within the scope of the plan and more provision was made for electricity supply and railway development. A sharp rise in the cost of labour during the Korean war boom and also the addition of new schemes necessitated by the emergency, have raised the cost of development from M\$214 million estimated in 1949 to M\$856 million estimated in 1952. In 1954 an economic survey team of the International Bank for Reconstruction and Development visited the Federation and the government is awaiting their report.

The progress made in the Federation on the 546 schemes under the Plan is not discouraging. By the end of 1952, 213 schemes were started and 65 completed, while in 1953 76 schemes were completed. In spite of the emergency and the increase of cost the progress of the Plan has been well maintained. In addition, the RIDA (on which the 1953 Ordinance conferred considerable powers) provided training facilities in domestic science, mechanized farming, industrial crafts, commerce and accounting, and village leadership. It

gives loans to farmers, businessmen and fishermen to improve their trades and crafts, and to small communities to carry out schemes for improved local amenities, such as roads and water supplies. The Central Electricity Board carried on a series of power projects in the Federation, of which Connaught Bridge Power Station is the major one. The monthly average of electricity production of the Board during the first half of 1954 increased to about 24.5 million kWh, as compared to 21.9 million kWh in the first half of 1953—a rise of about 12 per cent.

The development plans prepared by Singapore have laid more emphasis on port development, building, public utilities and social services, because of the dependence of the Colony on trade and industry for its economic prosperity. In addition to the Government, there are three principal agencies responsible for these developments, the City Council, the Singapore Harbour Board and the Singapore Improvement Trust. The City Council is responsible for public utilities, the Harbour Board for port facilities and the Improvement Trust for low-cost housing and industrial sites. Co-ordination of development planning is done by a division of the Government Secretariat in Singapore. The City Council—the authority for generation and distribution of electric power—started a new power station at Pasir Panjang, costing about M\$93 million, of which Nos. 1 and 2 turbo-alternators (of 25,000 kW each) were completed in 1953, and two more turbo-alternators of the same capacity are expected to be completed in 1954. Two more alternators will be installed in 1955, completing the total of 150,000 kW. On completion of this project, Singapore will have no power problems for many years.

Work on the new international airport is due to be completed in 1955, and a substantial housing programme has also recorded progress. For example, for housing its employees, the City Council up to 1953 spent M\$10.3 million and the government M\$16.5 million. The Improvement Trust spent M\$53 million on cheap housing construction for the public. Heavy expenditure on housing by these authorities continued in 1954 and is planned to continue in 1955 and subsequent years.

The government itself has undertaken no industrial development except that both the Singapore Improvement Trust and the Colonial Development Corporation have helped in laying out industrial estates. In earlier years, the bottlenecks in development had been shortages of either supervisory and planning staff or materials. In the last two years the limiting factor appears to have been the lack of qualified supervisory and planning staff, and to some extent of skilled labour.

In Sarawak, 1954 has marked the announcement of a revised Development Plan covering the period 1955 to 1960. This plan (Sarawak's third, which covers an expenditure of M\$99.4 million, incorporates unspent balances of schemes included in the 1951-57 plan and is carried forward to 1960. Of the proposed development expenditure, 54 per cent will be incurred on the improvement of communications which is the principal need in Sarawak; social services, especially medical and educational services, are also very greatly expanded. A good deal of attention has been devoted to diversification of the economy, particularly the development of pepper and timber production. Moreover, part of the expenditure on teachers' training, rural improvement training and travelling dispensaries previously included under development expenditure has been transferred from the Development Plan to the annually recurrent expenditure, so that the Plan actually understates the full amount of expansion. Even so, the total expenditure under the new Plan is nearly one-third greater than the total expenditure so far incurred on development in the period 1947-54.

In North Borneo, the problem of developing communications is almost as great as in Sarawak but, in addition, North Borneo has a special problem of rehabilitating buildings and capital equipment destroyed during the second world war. Not only was the extent of the destruction particularly great in North Borneo, but the effect has been more serious than elsewhere in the area, because of North Borneo's shortage of labour and consequent great difficulties in achieving reconstruction. Recently North Borneo's difficulties have secured greater recognition and with assistance, not only under the Colombo Plan, but also from the World Health Organization and the Foreign Operations Administration of the United States, substantial progress has at last been achieved. Actual expenditure on reconstruction and development in 1953 were M\$12.5 million and the expenditure for 1954 according to revised estimates was M\$19 million. A substantial proportion of this has been spent on rehabilitating damaged buildings and other capital equipment and in 1954 attention is concentrated on re-equipping port facilities at Jesselton, Sandakan and Labuan, air, rail and road services, and communications. There are also pilot projects for investigating potential new rice areas and additional work on fish culture and drainage and irrigation schemes.

Brunei's Five-Year Development Plan covering 1954-58 is being prepared by a Development Committee appointed by the Sultan in Council. The Plan will include a system of social insurance with pensions and allowances for old age and various categories of physical handicap. Plans for improvement of road and development of ports and aerodromes, irrigation and waterworks, and attempts to diversify the economy, partly by developing the rubber industry and opening up new areas for cultivation, are to be included. In addition, an expansion of educational facilities is projected, both within Brunei and overseas (by the award of scholarships). The main responsibility for the development of Brunei's principal resource, namely its large oil reserve, both on land and under the sea, rests with the companies which have mining leases over the oil producing areas.

Financing of development and capital formation:— Funds are available for financing of government developmental expenditure from four different sources. First, there is the United Kingdom Colonial Development and Welfare Fund which is intended for schemes that are not directly productive of revenue. Second, the Colonial Development Corporation supplies funds which are expected to earn a direct return. Third, loans either local or external can be raised by governments themselves. Finally, development can be financed out of revenue; and governments have taken care to ensure that commitments for annually recurrent expenditure are not undertaken as a result of Development Plans beyond what can be financed from anticipated annual revenues.

Total funds allotted from the Colonial Development and Welfare Fund for the territories amount to M\$100 million of which about M\$25 million are likely to be available in 1954.

United Kingdom assistance to the Federation of Malaya for rehabilitation and development in 1954 includes an interest-free loan of approximately M\$52.5 million to the War Damage Fund, a grant of approximately M\$51.5 million towards the cost of the emergency and an estimated contribution of approximately M\$6.75 million towards equipment and camps for units of the Federation military forces.

Three loans have been obtained from the Colonial Development Corporation: (1) M\$30.7 million redeemable in 1960 at 4 per cent, (2) M\$25.1 million redeemable in 1962 at 4.75 per cent, and (3) M\$4.8 million redeemable in 1960 at 4.75 per cent. All these loans have been given

to the Central Electricity Board for the construction of Connaught Bridge Power Station.

In 1954 the Federation raised M\$60 million locally out of the M\$100 million authorized under the 1951 Loan Ordinance, leaving M\$40 million still to be raised. M\$34.3 million was raised in London out of M\$55 million authorized by the Loan Ordinance of 1953, leaving M\$20.7 million to be raised later. The loan of M\$40 million offered by Brunei has been accepted, but not yet taken up. Pending the raising of further loans, some development expenditure is financed by advances covered by the issue of Treasury Bills and Treasury deposits. The M\$100 million from the 1952 Security Loan Ordinance and the M\$30 million loan from Singapore (received in 1954) were to meet budget deficits.

There are no reliable figures of private capital available for investment but the inflow from abroad, in the absence of any discrimination against foreign capital, has been substantial. Local sources include the undistributed profits of companies (very large profits were earned in the Korean-war boom, in rubber and tin). Foreign sources include the United Kingdom, Hongkong (spinning mill and other factories, rubber estates) and Australia (boot-polish factory). It has been estimated that the Federation of Malaya drew on external resources for capital formation in the public sector amounting to M\$14.4 million in 1952 and M\$24.2 million in 1953 and the anticipated figure for 1954 was M\$21 million. Roughly, it is estimated that total net capital formation amounts to 8 to 10 per cent of the national income.

A loan of M\$6.5 million was also made by the State of Brunei in 1954 to North Borneo. In Sarawak, the Development Plan is to be financed as follows: from the Colony's existing Development, Welfare and Reconstruction Fund's balance, M\$3.3 million; from approved territorial allocations and expected allocations from Central Funds of the Colonial Development and Welfare Fund, M\$11.8 million; from the share of the Colony's surplus balances, to be transferred to Development, M\$24.8 million; from loans to be raised against economically productive expenditure, M\$27.5 million (this excludes an advance of M\$3.2 million already made in 1954 against projected loans; from annual revenue, M\$18 million; leaving a deficit of M\$14 million. It is hoped that further external assistance will be received in the way of increased Colonial Development and Welfare Fund.

PRODUCTION

Federation of Malaya:— Measures undertaken for the improvement of Malaya's agriculture such as irrigation, drainage and land reclamation contributed to the increase in acreage under paddy. In the rubber industry, replanting with high-yielding rubber continued. With regard to tin, the signing of an international agreement had led to a hardening of the price of tin from which Malaya benefited as a main producer. Tin production rose appreciably in 1954 setting a post-war record. Considerable progress was made in planning the development of the iron-ore mines at Ulu Rompin and Temangan. The year also witnessed some increase in power production.

By the middle of 1954, irrigation facilities had been improved on over 80,000 hectares of existing paddy-land. The target for the entire period 1950-55 is 120,000 hectares. Also approximately 16,000 hectares of jungle land have been opened up and developed. These efforts have helped to continue the trend since 1952/53 towards increased acreage under paddy. The yield in 1953/54 was, however, less than in the previous year due to bad weather, etc. But stocks of rice purchased at high prices increased from 105,000 tons at the beginning of 1953 to 147,000 tons at the beginning of

1954. This together with the decline in offtake in spite of the reduction of prices on a number of occasions led the government to curtail drastically the rice imports on commercial accounts.

Since 1952, the amount of government rice rationed to consumers of all categories was 3½ katis per week until March 1954 when it was increased to 5 katis for an adult male, 4 katis for an adult female and 3½ katis for a child. It should, however, be noted that there has never been a restriction (except as a security measure to prevent food-stuffs reaching insurgent territories) on consumption of rice other than subsidised government imports of rice which amount to only 30 per cent of the total supply of rice. Moreover, free-market rice was always available to supplement the ration of government rice. The easier food supply situation finally led to the abolition of the rationing (except as a security measure) of government rice in August 1954.

The desire of the government and the industry to co-operate in obtaining an impartial investigation into certain aspects of the competitive position of the rubber industry led to the appointment, early in 1954, of a committee, under the chairmanship of Sir Francis Mudie. The report makes important recommendations, particularly concerning taxation and the financing of replanting. Substantial contributions to replanting are being made from rubber cess funds, though it seems unlikely that the target of 20,000 hectares for small holders in 1954 will be reached. In 1953, only 8,000 hectares of small holdings were replanted since it was the first year of the small holders' replanting scheme and efforts had to be concentrated on building up an efficient federation-wide organization to implement the scheme. Approximately one-third of the acreage of estates has now been replanted with high yielding rubber. However, as it takes 5-7 years for a rubber tree to come into production, the output in 1953 did not increase but actually declined owing partly to the declining yield of old trees still being tapped. Rubber production for the period January-November 1954 was 8,000 tons more than in the corresponding period of the previous year. Exports also showed a slight increase.

Production of copra, palm oil and pineapples (on the basis of canned fruit) in the first nine months of 1954 all showed increases over the corresponding months of 1953. Between the same periods the export of palm oil showed a small increase while that of copra declined by a small amount.

An agreement to regulate the marketing of tin came into force at the end of June 1954. Mining companies were not aware of the period that could be used as a base of assessing quotas under the International Tin Agreement, and did their best to keep up production to qualify for a high quota. Exports increased as a result of the expanded production and improved prices. Monthly averages of exports and production for the first nine months of 1954 were 8.9 per cent above the corresponding period of 1953. There was an increase in the number of tin mines worked from 629 in 1953 to 674 in June 1954, in addition to prospecting in some parts of Selangor.

Production of Malayan iron ore increased slightly from a monthly average of 98,000 tons in January-September 1953 to a monthly average of 107,000 tons in the corresponding period of 1954, with a proportional increase in exports by 8 per cent. An agreement is now under negotiation between Japanese and Commonwealth interests for production and export of iron ore from Kelantan.

Manufacturing employs about 8 per cent of the working population in the Federation of Malaya. It covers mainly rubber industries, oil mills, tin smelting and food processing. The Rural and Industrial Development Authority is financing and initiating rural and urban industries, as well

as training personnel. The projects initiated and assisted by the Authority over a very wide range of activities include mechanized cultivation, poultry and fish rearing, copra drying, oil and rice milling, boat building, small industries, housing, electricity and water supplies.

Singapore:— In Singapore, the return to more normal conditions in the recorded entrepot trade after the short-lived Korean war boom is accompanied by industrial expansion; power production and manufacturing activity have increased during the year, and attempts have been continued to improve the level of technical education. Food has been derated, as in the Federation of Malaya.

Singapore's entrepot trade with Indonesia has been declining seriously during the last few years, due partly to exchange regulations introduced by Indonesia and partly to bilateral trade agreements entered into by Indonesia, which by-passed Singapore. Singapore's recorded exports to Indonesia declined continuously from M\$401 million in 1952 to M\$215 million in 1953 and M\$61 million for the first half of 1954. However, the decline in imports from Indonesia was partly arrested in 1954, though the total imports were much lower than in 1952.

There has been an active interest in the development of industry in Singapore to provide employment for the rapidly increasing population and offset some of the effects of the decline in entrepot trade. A number of new factories have been established, for example, for the manufacture of soft drinks, shoe polish and various chemicals. A textile mill with a capacity of 10,000 spindles established during the last two years is now working three shifts and a number of factories are being developed on an industrial estate laid out by the Colonial Development Corporations.

There is also some anxiety to increase the supply of skilled labour with a view to industrialization. Singapore has a satisfactory system of primary education but technical training facilities are short, particularly because, before the war, most of Singapore's artisans were immigrants. Therefore, the Government has engaged an expert on technical education and has also recently decided to set up a Polytechnic Institute.

The output data give a clear indication of industrial growth in Malaya (i.e. the Federation of Malaya and Singapore). In Malaya, average monthly production of rubber sheeting and foot-wear increased from 174,000 lb and 983,000 pairs in 1953 to 246,000 lb and 1,098,000 pairs for the first eight months of 1954—increases of about 12 per cent and 11 per cent respectively. Coconut oil and soap production increased for the same period from 8,000 tons and 1,885 tons to 11,000 tons and 2,090 tons—increases by 39 per cent and 11 per cent respectively. Amongst food processing industries, production of tinned pineapple increased during the first half of 1954.

Sarawak:— The output of the petroleum refineries, which provided 70 per cent of Sarawak's exports in 1951 and 1952, remained unchanged. The oil refined is won in the State of Brunei and pumped to the refineries in Sarawak.

In Sarawak the year 1954 has been chiefly one of agricultural developments as well as expansion of social services. The government-administered Rubber Fund has bought a former Japanese estate of some 1,600 hectares at Samarahan for use in the production of planting material of highly-yielding stock, in demonstration of new techniques of rubber growing, and for technical training. An area of 20,000 hectares is also being opened up between the Sadong and Samarahan rivers for rice cultivation.

As a result of the adoption of more scientific techniques the output and export of pepper have been expanding

rapidly. Exports of pepper in 1954 totalled 15,000 tons compared with 9,000 tons in 1953. There has also been a very great increase in the export of timber during the last three years. Exports in 1954 were no less than the 156,000 tons exported in 1953.

At the end of 1953, the Government decided to buy out the shares in the Sarawak Electricity Supply Company Limited previously held by a private company by payment of M\$1.3 million. Further expenditure of M\$2.5 million has been incurred on the development of electricity supplies.

North Borneo:—In North Borneo, the year 1954 has been significant chiefly for further considerable development of the output of timber, export of which is likely to exceed substantially the 1953 figure, which itself represented a 50 per cent increase over the previous year. The government has also put forward a plan for land reclamation and irrigation, under which some 56,000 hectares are expected to be reclaimed and 18,000 hectares irrigated by the end of 1954. Rubber replanting and other measures to improve output will be financed by a cess administered by the Rubber Fund Board. Rubber cones are obtained from the Rubber Research Institute of Malaya. A local British Rubber Producers' Association co-operates in this development work.

Brunei:—In Brunei, an important development, apart from the preparation of a Five-Year Plan (1954-58) and the inter-governmental loans already mentioned, is the further extensive development of undersea oil which promises to extend Brunei's already very considerable oil reserves. The annual rate of petroleum production in Brunei was about the same during the first six months of 1954 as in 1953.

BALANCE OF PAYMENTS, PUBLIC FINANCE AND PRICES

Trade and payments:—The adverse balance of trade for Malaya in 1953 continued in 1954 though at a lower level. Both imports and exports declined, the former relatively more than the latter. On the import side, there was an appreciable reduction in the volume of rice imports. On the export side, there was a further decline of rubber prices. The surplus on invisible transactions in 1954 showed a small increase. Accordingly, the balance of payments deficit for Malaya in 1954 was considerably reduced. North Borneo also showed an adverse balance of trade whilst Brunei and Sarawak again achieved trade surpluses although they were less than before.

In general, the trade deficits have emerged mainly on account of a decline in the value of exports of rubber from Malaya and North Borneo, following the sharp fall in price during 1952-53.

The average monthly trade deficit for Malaya during the first half of 1954 fell to M\$7.4 million from M\$18.1 million in 1953, owing to an increase in the value of exports of coconut oil, palm oil, tinned pineapple, tin, iron and bauxite. Despite the fall in the unit value of imports (1948 = 100) from 120 for 1953 to 110, the decline in unit value of exports from 133 for 1953 to 120 maintained the deficit, though at a lower level, for the first half of 1954.

In North Borneo, the value of rubber exports fell to M\$23.3 million in 1953 from M\$86.2 million in 1951, and the decline continued during the first half of 1954. Increased exports of timber, cutch and hemp were partially

offset by a 7 per cent fall in the volume of rubber exports from 1,400 tons per month in 1953 to 1,300 tons per month in 1954.

Sarawak and Brunei again achieved trade surpluses, though these were lower than before. The chief reasons for the decline in the surplus were the fall in Sarawak's rubber exports (from M\$159 million in 1951 to M\$32 million in 1953) and Brunei's increased imports of metals and manufactures and vehicles, mainly as a result of new developments in the oil-fields. The increase in the volume and value of exports of pepper and timber from Sarawak helped to arrest a further decline in the trade surplus, which otherwise might have turned into a deficit.

The fall in the proportion of exports going to rubber for almost every territory between 1951 and 1954 has been accompanied by increasing proportion of exports going to coconut oil, palm oil, iron and tinned pineapple in Malaya; timber and pepper in Sarawak; and timber, cutch and hemp in North Borneo. Amongst the trading partners, the serious loss of trade with Indonesia has already been discussed. The decline in the share of other Asian countries is mainly due to the falling imports of food cereals from Burma and Thailand; and the levy in June 1954 of a heavy import duty on betelnuts from India, as well as a fall in textile imports from India due to Singapore's loss of the Indonesian market. The United Kingdom, Japan, Australia, Italy, the Netherlands and West Germany increased their share in Malaya's trade.

Public Finance:—In the Federation of Malaya as revenue is largely dependent on world prices of rubber and tin, the low prices in 1954 for these products caused a decline in its total. In the meantime, efforts to bring the emergency to an end while still maintaining the social services has prevented any reduction in expenditure.

To assist the government the United Kingdom contributed a sum of approximately M\$ 51.5 million and the government of Singapore made the interest free loan of M\$ 30 million already referred to. After allowing for this assistance the balance of the deficit will be met from surpluses accumulated in previous years.

In Singapore, a substantial budget surplus in 1953 is expected to turn into a deficit in 1954. The change is due partly to a decline of about M\$ 30 million in income tax and partly to a large increase in expenditures. Significant increases, owing to extra staff and equipment being available, are noted in expenditures on the acquisition of land, non-recurrent public works, education and medical services. The anticipated decline in receipts from income tax may be interpreted as a return to more normal conditions, as the unusually large collections in 1953 were due to a part received on account of the Federation but transferred in 1954 and another part being a windfall due to decisions being eventually finalized on some big assessments which had been pending from earlier years. It is probable that some of the administrative obstacles to accelerated development expenditure will now have been overcome, but it would be optimistic to suppose that all the estimated expenditures could be incurred in 1954. Hence although a small deficit may perhaps emerge, it is unlikely to be as large as was anticipated, particularly as increased incomes from trade in 1954 are likely to increase the yield of some of the customs and excise duties.

In Sarawak a small surplus is expected, estimated revenue having fallen and expenditure having increased as compared with actual revenue and expenditure for 1953. The surplus realized in 1953 was much larger than that estimated. The fall in revenue is wholly explained by a fall in export duties, mainly on rubber. Expenditure on

public works has increased but has been more than offset by a reduced contribution to the Development Fund.

In North Borneo the combined budget for current and development revenue and expenditure shows a small deficit. Export revenues showed a fall compared with the original estimate for 1953 as well as with revised estimate for that year. Expenditure on development has increased, owing to increased aid, while the contribution from current revenue to development has declined.

Prices:—The cost of living indices for labourers in the Federation of Malaya fell from 121 and 115 in December 1953 (January 1947 = 100) to 111 and 107 in August 1954 for Indians and Chinese respectively; for Malays the index (January 1949 = 100) fell from 132 in December 1953 to 123 in August 1954. Moreover, most of the components have also fallen, and hardly any has risen. Retail prices have fallen not only for rice, but for meat, vegetables, fruit, etc. A fall in wages as a result of the lower prices of export commodities should also be noted.

Wholesale prices in Singapore have declined mainly as a result of external influences, rather than because of any local monetary factors. In Malaya the expansion of demand deposits by M\$32 million in the first six months of 1954 more than offset a decline of M\$29 million in the active note circulation in the same period, especially as the December note circulation figure included some expansion for seasonal reasons. The gross note circulation has remained almost unchanged, though the banks have transferred some M\$6 million to Malaya by reducing their overseas balances. The banks have also increased their advances to primary production and other industry by about M\$21 million in the first six months.

Though regular monthly figures of wages are not published, money wages in the major industries and in government service have been maintained or, in some instances, increased, so that real incomes have probably increased considerably. At a cost of some loss of its reserves, and with substantial aid from abroad, Malaya appears to have kept its economy reasonably fully employed, so that low incomes in the rubber and tin industries have not caused any general stagnation.

The inflationary impact of the budget deficit in the Federation of Malaya in 1953 was offset by the trade deficit, the receipt of grants, the improved food supply position, the existing slack in the economy and the high level of savings in the private sector. Aggregate deposits in the banks decreased and the active note circulation changed very little. The estimated budget deficit for 1954 was larger but the potentially inflationary effect of the budget deficit may be less than the estimates suggested, since it is not improbable that the whole of the estimated budget expenditure may not actually be spent.

The comparative absence of inflationary impacts in 1954 again suggests a high level of saving. An increase in real incomes, resulting from constant or rising money incomes and falling prices, may have accentuated the tendency to save in 1954. Apart from large compulsory savings in the rubber cess funds and the Employees Provident Fund (a compulsory savings scheme for wage earners in the Federation of Malaya, with equal contributions by employers, in which the excess of contributions over withdrawals in 1953 was M\$56.8 million), savings accounts in banks and in the post office increased in the aggregate by M\$38 million in 1953 and by M\$18.1 million in the first six months of 1954. Successful flotation of loans by the Federation Government and the Singapore City Council also indicates a substantial volume of saving. This is at least a mitigating factor in considering the size of the budget

NORTH BORNEO'S PEOPLE AND LABOUR

POPULATION

The report of the 1951 census of population shows that since 1931, the year in which the previous census was held, the total population of the Colony increased by 20.4 per cent from 277,476 to 334,141 and the native population by 18.4 per cent from 205,218 to 243,009. The Chinese population increased by 48.6 per cent from 50,056 to 74,374. The number of Europeans, including Eurasians, increased from 647 to 1,213.

The density of population was 11.4 persons per square mile. Nearly one half of the population lives in the West Coast Residency, where the density was thirty-one persons per square mile. The low density of 5.6 persons per square mile in the East Coast Residency is indicative of the large areas there of jungle and swamp.

The census figures generally have shown that since 1931 there has been a considerable movement of population from the Interior, where owing to inaccessibility there has been little commercial enterprise, to the coast, where paid employment is obtainable and where markets for agricultural produce are more accessible.

Among the native peoples, the Dusuns showed an increase of only 6.7 per cent from 110,483 to 117,867. This community is the most important native community in the Colony, inhabiting chiefly the West Coast and the plains of Tambunan and Ranau in the Interior. They are a prosperous agricultural people and are the chief rice producers in the country, forming the most stable element in the rural population. It is a little difficult to understand the small rate of increase shown by this people. It can only be suggested that some have declared themselves as belonging to other communities—a view encouraged by the

deficits which have not, in 1954, stimulated excessive consumption.

CONCLUSION

The improvement in the food situation which is partly due to improved local production seems likely to be maintained. The decline in the prices of tin and rubber has at least for the present been reversed. In regard to the longer run problems, however, the situation is rather less satisfactory. The diversification of the economy of the territories has increased through the development of agricultural crops other than rubber and improving prospects in production of minerals other than tin. The manufacturing developments both in the Federation of Malaya and in Singapore also supplement the other resources of the economy. Nevertheless, the economies of these two territories remain heavily dependent on rubber and tin on the one hand and on entrepot trade on the other. The rate of population increase is likely to be a serious menace in the immediate future, especially as Malaya's supplies of capital are limited; and in Singapore where the problem is more urgent there is no prospect of the rate of population growth declining during the next few years. Singapore's long-range plan in town planning may relieve for a substantial number of years the problem of housing, though not of employment arising from population pressure. In the Borneo territories long-range problems of development seem unlikely to be easily solved.

large increase of 70.5 per cent shown under the heading "Other Indigenous". It should be explained that Dusun is mainly a generic name given by others to a collection of various tribes having a common tongue and common customs and that the name Dusun is not ordinarily used by these tribes themselves.

The Bajaus, a Muslim people, generally sea-faring, and found mainly on the East Coast, increased from 34,099 to 44,728, an increase of 31.2 per cent. It is possible that some of this increase may be due to immigration from the neighbouring Philippine Islands, though an effort was made in the census to distinguish between native born and foreign born Bajaus. The Bajaus, together with and including the Illanuns, Suluks, Obians, Binadans and kindred tribes are the descendants of the notorious pirates who terrorised these waters until well into the nineteenth century. Now their energies are chiefly confined to fishing. A large land community of Bajaus in the Kota Belud District has taken to padi planting on a considerable scale.

Among the other indigenous communities the most important are the Bruneis and Kedayans who amounted to 22,312 persons as against 13,644 in 1931. The Bruneis are Muslims and racially are Malayan-Javanese. They are seafarers and fishermen generally inhabiting the West Coast fringe from Brunei Bay to Jesselton. The Kedayans, also Muslims, are agriculturists, probably of Sumatran or Javanese origin, who have spread out from Brunei.

The Muruts, unfortunately, continued to decline and showed a decrease of 23.4 per cent from 24,444 to 18,724, though here again part of the explanation may be that some Muruts have declared themselves as belonging to other communities. The Muruts, generally speaking, inhabit the upper reaches of the Padas River and the mountainous inaccessible country near the Indonesian and Sarawak borders. They were the last to abandon the practice of head-hunting, but they have not yet adopted a system of settled agriculture. Instead, they follow the age-long practice of shifting cultivation, using what is usually a seven-year cycle. By this means they ensure a supply of their staple diet of tapioca and hill padi as well as a potent home-brewed rice liquor known by the name of tapai. They are great hunters, using spears, blow-pipes with poisoned darts, and dogs. The chief form of game is wild pig, which is plentiful in the jungles of North Borneo. For ready cash they rely on the collection of jungle produce, and on occasional periods of work as tappers and weeders on the rubber estates in the Tenom Valley. They are primitive in their habits and living conditions and particularly susceptible to disease.

A comparison of the increase in native population since 1931, 18.4 per cent, with the increase of 4.14 per cent between 1921 and 1931, suggests that the gradually improved medical and social services since 1931, together with the general economic prosperity, always excluding the years of the Japanese occupation, have had a beneficial effect on the health and fertility of the native peoples as a whole, although there is still room for considerable improvement. The movement to the coast from the Interior, referred to above, is a native movement.

There are several factors to consider in accounting for the increase of 24,318 persons or 48.6 per cent among the Chinese community, the largest immigrant race in the Colony. It is known that the natural rate of increase of

Chinese is higher than among native peoples, while immigration of Chinese during the period 1931-1951 is estimated at approximately 20,000. On the other hand the Chinese community is thought to have suffered proportionately more than other communities during the Japanese occupation from violence, disease, starvation and loss of fertility. It is interesting to note that of the 74,374 Chinese in the Colony, 48,862 were born in North Borneo and 5,583 elsewhere in the Commonwealth. Most of these 54,445 Chinese are now British subjects. It is of further interest to note that the sex ratio among Chinese has improved from 64 males to 36 females in 1931 to 56 males to 44 females in 1951.

The Chinese, while many are engaged in agriculture and commerce, supply most of the artisans for local industries. Many are smallholders producing rubber, rice, coconuts, fruits and vegetables, and rearing pigs. The majority of them are Hakka, who provide many of the clerks and subordinate technicians employed by Govt. Departments and commercial firms. The business and shop-keeping community, particularly in the Sandakan area, are mostly Cantonese, who have long-established connections with Hongkong and China, while in the West Coast towns they are Hokkien and tend to look for their trade towards Singapore.

The European community, while numerically small, is economically very powerful. In general they are employed by the larger commercial concerns and plantation companies with headquarters in the United Kingdom and by Government. They are the biggest employers of labour and are responsible for a large portion of the Colony's export trade.

Those listed under "Others" comprise natives of Sarawak, Malaya, Indonesia, India, Pakistan, Ceylon, the Philippines, etc. Natives of Sarawak, Malaya and Indonesia find no difficulty in becoming quickly assimilated with the indigenous population to whom they are akin in outlook and upbringing. Amongst the Indonesians are many who came to the country in the twenties and thirties as estate labourers and who have chosen to settle here; some are more recent immigrants from Indonesian Borneo looking for work; some are the remainder of those brought by the Japanese for forced labour during the occupation who refused the opportunity of repatriation after the war.

Many of the Indians, Pakistanis and Ceylonese are artisans, technicians and traders. Some of the Indians and Pakistanis were originally employed in the Constabulary and have acquired land and settled down, some becoming dairy farmers in the vicinity of the principal towns.

Only some 45,000 persons live in urban areas. The main towns of the Colony are Sandakan (population 14,499), Jesselton (11,704), Tawau (4,282), Victoria, Labuan (2,526), Kudat (1,895), Papar (1,772) and Beaufort (1,576).

The great majority of the Dusun and Murut peoples are pagans, while an equally large proportion of the coastal communities are Muslims. The Chinese non-Christian population generally adheres to Confucian ethics mixed with Buddhist beliefs. Roman Catholic, Church of England, Lutheran and other missions, both Pastoral and Evangelical, are active in the Colony. A total of 29,100 persons declared themselves as Christians in the 1951 census.

It will be seen, therefore, that the Colony's population although small, is made up of a diversity of races speaking a variety of different languages. It is for this reason that Malay has become the lingua franca of the country and is spoken by the majority of its inhabitants.

The estimated population on the 31st December, 1954 was:—

Indigenous	255,193
Chinese	85,365
European (including Eurasian)	1,688
Others	25,507
Total	367,753

A summary of registered births and deaths during the period 1st January, 1954, to 31st December, 1954, shows:—

	Births	Deaths
Indigenous	6,930	3,073
Chinese	4,442	624
European (including Eurasian)	40	3
Others	703	218
Total	12,115	3,918

The following is a summary of arrivals and departures through the ports of the Colony during the period January to December, 1954:—

	Arrivals	Departures
Indigenous	1,322	1,681
Chinese	5,082	6,126
European (including Eurasian)	1,681	1,681
Others	4,091	3,744
Total	12,176	13,232

The excess of departures over arrivals was 1,056. This compares with excess of arrivals over departures in 1951, 1952 and 1953 of 3,079, 3,805 and 1,464 respectively. There was again a decrease in the number of artisans and semi-skilled workers entering the Colony to take up employment with building contractors, while the departure of locally-born Chinese and Natives to the Brunei oilfields was more noticeable than in the previous year.

The analysis of places of birth is a matter of much interest in North Borneo with its peoples of varied races and creeds and with an immigrant population comprising more than one-quarter of the total. The full Report of the 1951 Census has revealed that only 36,369 persons, or slightly under 11 per cent of the population, were born outside the country—an encouraging indication of the permanence of settlement of the immigrant peoples. All but 2,065 of the indigenous community were born in North Borneo, and of that number most were born in the territories with contiguous land borders—i.e., South Borneo, Sarawak and Brunei. Of the largest immigrant community, the Chinese, 48,862 out of 74,374, or 66 per cent, were born in North Borneo; most of the remainder were born in China, and 4,000 odd were born in Hongkong. Further analysis of birth-place statistics confirmed the already well known past and current trend of migration from the interior districts to the industrial and plantation areas bordering or close to the coast.

OCCUPATION, WAGES AND LABOUR ORGANISATION

The industrial structure of North Borneo is undeveloped and simple, a considerable majority of the population being engaged in homestead farming. Superimposed on this basis are the established estate, timber and firewood industries. Next there are the small processing industries serving the elementary needs of the rubber estates and timber companies; and finally there is the multiplicity of services demanded by a growing and fairly prosperous community—e.g. building, transport and commerce. The total number of

persons gainfully employed (excluding housewives and all persons of less than 15 years of age) was shown by the 1951 census to be 140,629, made up as follows:—

Producers of raw materials	119,639
Manufacturing	3,164
Transport and Communications	2,345
Commerce	6,037
Public services and professions	5,099
Personal and paid domestic services	4,345

Of the 119,639 persons engaged in the production of raw materials 82,998 were engaged in agriculture and 23,331 in the cultivation and production of rubber.

The census also showed that a large preponderance of both the Dusun and Murut communities was engaged in homestead agriculture, with a minor proportion entering the rubber industry and small numbers joining the Police Force. Less than a half of the Bajau and Other Indigenous communities were engaged in agriculture, these races taking an active part in the timber, rubber, coconut, mangrove-working, boat-building and fishing industries.

The increased interest of the indigenous people in wage-earning employment has been one of the more significant post-war trends and they at present constitute 57.7 per cent of the labour force of the Colony. This proportion has remained very constant for the last three years despite accretions to the labour force of workers entering temporarily from outside the Colony. During 1954, however, for the first time since the war, there were appreciable decreases in the total labour force of the Colony. The causes of these decreases are not yet fully clear nor is it certain whether or not they constitute a temporary movement. Estates and plantations remain the largest employers of labour, but the labour force employed in industry (including timber production) has increased in proportion to labour employed elsewhere.

A start has been made on the process of weaning hill-dwelling natives from shifting cultivation to a more permanent form of agriculture in the low-lands, where they can also take up wage-earning employment on estates when not engaged in padi-production, and where the provision to them of social services will be facilitated.

The process must be a gradual one, and the present policy is to ensure, as far as possible, the success of a modest pilot settlement, and thereby, it is hoped, encourage other hill natives by a practical example of what can be achieved to move to more accessible areas.

The Chinese population is mainly engaged in commerce, rubber production, agriculture and other industries. In commerce, crafts and artisan employment the Chinese community is predominant.

Immigrant Labour

The demand for artisans and semi-skilled workers for building construction has remained steady during 1954. Government has continued to permit the temporary entry of skilled and semi-skilled workers from Hongkong and Singapore for employment with firms of established Singapore and Hongkong Construction engineers and contractors who have opened branches principally in Jesselton and Sandakan for the purpose of undertaking the larger Government and private contracts which are available as town planning and post-war rebuilding proceeds throughout the Colony.

The position has now been reached where there is a constant turn-over of these workers, the numbers in employment in the Colony at any one time being about 1,000. There has been an increase in the demand for skilled technicians to operate and maintain mechanical equipment, both by Government and by commercial concerns; and, pending the training of local personnel, these needs are also being met by temporary engagement, principally from Hongkong.

Negotiations took place during the year with the Government of the Republic of the Philippines to facilitate recruitment from Luzon of workers and settlers for the Colony. These negotiations proceeded favourably, the Government of the Republic of the Philippines expressing agreement in principle.

Wages and Earnings

There is now little variation in wages and earnings between different districts within the Colony. Such differences as remain are largely the result of different local costs of living. Most agricultural work and much industrial work is performed on piece rates. There have been no general wage increases during 1954. There has been some reduction of wage rates locally and the earnings of workers in the rubber industry have followed fluctuations in the price of rubber. There have been no considerable fluctuations in wages paid to skilled workers which continue to be comparatively high. It may be said that at the present time unskilled workers earn up to \$3.50 per day; semi-skilled workers from \$3.50 to \$7.00 per day and skilled workers from \$7.00 to \$12.00 per day.

Hours of work are eight hours a day for six days a week, but in many cases shorter hours are worked. Various holidays are prescribed.

Cost of Living

The cost of living index, which is based on the cost of certain basic commodities consumed by all sections of the community, remained comparatively steady during 1954 and, despite fluctuations in commodity prices, it stayed (largely owing to a fall in the price of both imported and locally grown rice) below the peak reached in 1951. In the latter part of the year those whose diet consists largely of imported foodstuffs experienced a sharp rise in the price of several commodities.

Figures for an average monthly budget for workers of various races in the Colony collected by the Labour Department show the following:—

				Increase % Decrease	
Workers Monthly Budget		1952	1953	1954	1953-1954
Natives					
Foodstuffs	.....	31.64	29.70	30.29	+ 2.0
Clothing and bedding	.....	5.07	5.29	5.20	+ 1.7
Miscellaneous	.....	11.00	11.02	13.48	+ 22.3
Total:		47.71	46.01	48.97	+ 6.4
Chinese					
Foodstuffs	.....	37.00	35.75	34.62	- 3.2
Clothing and bedding	.....	4.68	6.63	5.95	- 10.3
Miscellaneous	.....	11.80	11.60	11.96	+ 3.1
Total:		53.48	53.98	52.53	- 2.7
Other Immigrant Workers					
Foodstuffs	.....	25.88	25.60	24.85	- 3.7
Clothing and bedding	.....	6.08	7.11	7.20	+ 1.1
Miscellaneous	.....	9.49	9.50	9.36	- 1.5
Total:		41.45	42.41	41.41	- 2.4

A retail price index giving the mid-year and end of year prices of certain basic foodstuffs is given below:—

	1953		1954	
	June	December	June	December
2 gantangs rice	\$ 4.80	\$ 4.80	\$ 4.48	\$ 4.00
1 kati flour	0.30	0.30	0.30	0.30
1 kati fats	1.80	1.80	1.80	1.85
1 kati white sugar	0.38	0.32	0.30	0.30
1 kati meat	1.36	1.37	1.47	1.63
3 katis fish	4.50	4.50	3.60	3.69
2 14-oz. tins of milk	1.40	1.40	1.40	1.40
6 eggs	1.25	1.20	1.14	1.20
5 katis vegetables	1.83	1.42	2.13	2.20
2 ounces tea	0.48	0.48	0.47	0.55
¼ kati coffee beans	0.60	0.60	0.74	0.65
Total	\$18.71	\$18.19	\$17.88	\$17.77
Local Index	142	138	135	134

General

Housing conditions at places of employment continue to improve, although in many cases, particularly in the rubber industry, housing programmes have had to be curtailed as a result of shortage of funds resulting from the fall in the price of the commodity produced. The Labour Department's campaign continues to receive the support and co-operation of employers who generally show a sincere interest in the health and welfare of their workers. Conditions of employment throughout the Colony, with but a few exceptions, are satisfactory and in several cases outstandingly good. The progress previously reported in the jungle camps of the timber and firewood industries continues and this is particularly satisfactory in view of the difficulties of erecting such camps and of their short life. The prevailing shortage of labour which has been a feature of the Colony since the war, and which has helped to maintain good wages and conditions of work, continues but has been less marked during the year, and some local surpluses of labour are now appearing.

Industrial Relations

During the year there was no marked change in the state of trade unionism, which is still in its infancy in the Colony. There were slightly more trade disputes, but none of them was of sufficient size or moment to attract public attention. Because of illiteracy among the majority of workers, the comparatively small extent of wage-earning employment, and the absence of competitive economic incentives

which characterise more highly industrialised communities, the organisation of labour in this country on modern trade union lines is likely to be slow. Nevertheless the fostering of responsible trade unionism is the policy of Government as being the best long-term means of ensuring industrial peace and mitigating the effects of changes which are inseparable from industrialisation when it comes. The Commissioner of Labour and Welfare is the Registrar of Trade Unions for the Colony and contact is maintained with the Trade Union Adviser in Kuala Lumpur, Federation of Malaya. Three trade unions have so far been registered with a total membership of about 500 workers. No new unions were registered during the year. None of these organisations has any affiliations with any metropolitan or international organisations.

Industrial relations between employers and workers have continued to be generally very satisfactory throughout the year.

Industrial Training

Vocational training and apprenticeship continue to engage attention as the best long-term means of increasing the productivity of the Colony's man-power. Several employers follow a policy of training workers within their employment, though there is little formal apprenticeship. Such training schemes are in some cases of considerable value. Vocational training was continued in the Government Trade School.

—Extract from North Borneo Government Report

ECONOMIC REPORTS FROM JAPAN

The Economic Counsel Board issued its Fiscal Year '54-'55 Economic Report which contains an analysis of results achieved under the tight money policy during the fiscal year just ended March 31st, 1955 together with problems to be met for future economic expansion. The essentials are:

a. The Japanese economy during the fiscal year just ended passed through major transformations following the inflationary influences of several years. The propelling force was supplied by tight money and the cut in fiscal loans and investments. The former was instrumental in pushing prices downward and checking unsound trends in economic expansion caused by over-investments and over-consumption which characterised the fiscal year '53-'54. As a result, home-foreign price gap was largely narrowed in Japan's favor and, aided by bullish foreign market conditions, the foreign exchange accounts showed a surplus of over \$300 million during the fiscal year just ended. Moreover, corporate management improved greatly and savings swelled. All these factors worked to allay the long-prevailing inflationary sentiment.

b. However, along with this apparent success of the stringent policy there began to appear gradually certain irregularities which heretofore were hidden behind the post-war inflationary veil. These include factors causing instability in the balance of payments, abnormal interest rate structure, weaknesses in corporate capital, inadequate and unbalanced effects of plant-equipment rationalization, and rise in unemployment.

c. These problems must be met squarely in order to forge ahead. But it must be realized that export promotion is the key to economic expansion, and the major premise to export promotion is stability of currency value. To solve the problems mentioned under "b" smoothly and without

friction as well as to achieve full employment and a stable balance of payments position, over-allness and consistency of policy together with planning is a *sine qua non*.

The White Paper gives full credit to the stringent line in pushing the way toward a sound economy, but raises a doubt in that the tight line alone might not have turned the foreign exchange balance on the surplus side during the past fiscal year. This is indeed an important point to bear in mind. Also, the emphasis on stability of currency value as the major premise for economic expansion, despite its obviousness, is significant. Although the section on measures to be taken tend to be a bit too abstract, this is attributed to difficulties involved in the solution of these problems. All this leads to the point that despite the apparent favorable nature of Japan's economic future, there are elements in the situation which make easy optimism unwarranted.

* * * *

The regular Budget for the current fiscal year beginning April 1, 1955 was passed by the Diet. The Budget total is ¥991,400 million, or ¥8,400 million below previous fiscal year. Because of Democratic-Liberal joint revisions the original budgetary features of the Gov't to pull the economy together was somewhat slackened. Nevertheless, the aim to hold the ¥1,000,000 million line was upheld.

* * * *

The Japan-U.S. agreement on purchase of surplus agricultural products met Diet approval. The Gov't established a surplus agricultural products fund special account for the accounting of loans based on this agreement. Revenues and expenditures from this account were submitted to the Diet as a supplement to the F.Y. '55-'56 Special Accounts Budget. Revenues include U.S. loans of ¥21,400 million plus ¥180

million in interest. Expenditures cover loans to electric power development (Y18,250 million), agricultural land development (Y3,000 million) and Japan Productivity Center (Y150 million). Other expenses include office and miscellaneous items.

* * * *

The foreign exchange accounts for Jan.-Jun. 1955 showed receipts of \$1,205 million and payments of \$1,065 million, leaving a surplus balance of \$140 million. The same period of last year saw a deficit of \$177 million. The surplus resulted from high level exports to both the dollar and sterling areas, and dip in imports. Exports (goods) totaled \$877 million (\$169 million above the same period last year). In particular, export of synthetic fibers, iron-steel materials and ships were favorable, whereas cotton goods and marine products dropped. Imports (goods) totaled \$905 million (\$229 million drop from a year ago). Import of foods dipped considerably from emergency food imports last year. Metals and machinery also fell somewhat.

Surpluses were recorded for both dollar and sterling —\$78 million and \$82 million respectively. The open account showed a deficit of \$20 million reflecting export controls against Indonesia and Korean import controls against Japanese goods. Usance and other deferred means of payment swelled to \$108 million, a significant factor in the improved balance of payments. Exports during the lower half of the year are expected to rise somewhat above original estimates. A considerable rise in imports is also considered likely for seasonal reasons together with the dip in inventory levels of food and industrial raw materials. Hence, the outlook is for further efforts if the favorable balance of the 1st half is to be continued.

* * * *

Leading commodity markets during July were featured by the fact that, while iron and steel staged a rally with the support of active export demand and copper, tin and crude rubber registered a rise reflecting overseas strength on one hand, zinc, cement, lumber, chemical fertilizers and cereals softened due to the dullness of demand and for other seasonal reasons. Thus, the markets were spotty and on the whole one of flattening out. Fibers, which had during June witnessed a rapid recovery as a reaction to too great declines previously made and on a rise of seasonal demand both at home and abroad, experienced only small ups and downs with no change worth mentioning during July. The average level of commodity prices for the month was a little higher than during June, which was due chiefly to the overseas influences or seasonal factors, as is mentioned above. There is no basic change in evidence in the domestic demand.

Stock market was favorably influenced by such economic factors as rich harvests of this year's rice and a turn for the better of the balance of international payments. Selective buyings came to the fore for high-grade stocks yielding good return, and there was witnessed a greatest rally in prices since the end of February. The Dow-Jones average price on the Tokyo Security Exchange stood at Y366.90 at the end of July.

* * * *

The financial situation during the first half (January to June) of this year was one of quietness and ease. The deposits of all banks throughout the country registered a remarkable rise of \$103,700 million, while loans increased by only Y47,500 million, and their borrowings from the Bank of Japan underwent a decline of Y47,000 million. The

above increase in deposits may be regarded as a result of a definite rise in the confidence of the people in general in the value of currency and their disposition to save under the influence of tight money policy pursued for over a year in the past and with the background of favorable export trade. During this period the long-term deposits maintained a continuous advance in contrast to a decrease in the short-term deposits, and increased by as much as Y142,000 million. Loans remained at a comparatively low level through the effects of stringency measures. The restraining attitude on the part of banks had, of course, much to do with this, but businessmen also came to assume a more healthy attitude in their management of business and excessive investments in equipment or inventories subsided. Under the circumstances, the repayment of the Bank's advances made a speedy progress, and the over-dependence of the banks upon our Bank was gradually rectified—a step forward toward normalization.

The increase in the deposits of all financial institutions during the half-year under review reached as much as Y241,400 million, which was greatly in excess of the gains made in the corresponding period last year (a gain of Y176,000 million). Such a good showing made by deposits owes chiefly to a great increase in deposits of the banks, especially of those in big cities. Such financial institutions as mutual loans and savings banks, post office savings, as well as agricultural cooperative associations fared badly in this respect. This may be regarded as indicative of the fact that the benefits of continued thriving export were enjoyed mainly by urban areas and the unaffected outside regions still felt the effects of stringency policy.

Negotiations for the revision of the payments agreement between Japan and West Germany, which had been under way since March this year in Bonn, came to an end and a new agreement was signed on July 28, which is scheduled to be put into effect on and from October 1st. The main point of the revision is the abolition of the existing dollar open-account payments formula as from the end of September and the adoption in its stead of a system of cash settlement either in pound sterling or German mark as from October 1. As to the overall net balance of the account on the day of the expiration of the existing agreement as well as the outstanding commitment under the letter of credit on that day, a decision has been made that they shall be settled by agreement of the two Governments concerned. Particularly with regard to the disposal of the outstanding debt on the Japanese side of \$12 million, it is to be studied and determined at the trade talks to be held in September.

This revision of the payments agreement was made at the request of West Germany. But, it is the Japanese Government's policy, too, to re-examine and revise its trade and exchange system in keeping with the current trend of the world toward free trade. Hence, the new agreement is significant as a first step toward realization of that policy. It may be noted here that agreement has been reached between Japan and Sweden as to the abolition of the open account system established between the two, and that investigations are now going on for taking similar actions as regards Italy and the Netherlands. Thus it is expected that a further progress will be made along this line in the future.

Trade talks between Japan and Britain concerning the payments and trade agreement have been going on in Tokyo since the end of June. Since it is anticipated that more time will be required for the talks to come to a conclusion, it has been decided to further extend by one month the period of validity of the existing payments agreement that had provisionally been extended to the end of July. Official documents to that effect were exchanged on July 29.

ECONOMIC LETTER FROM TOKYO

Fiscal 1954 Economy: The Economic Counsel Board published its White Paper on economic conditions during last fiscal year. It traced how Japanese economy was affected and what problems were raised by the deflationary and restrictive policies pursued since October, 1953, and pointed out that, as a result, prices declined, exports increased, and an improvement in the balance of payments was attained for the time being. There still remains the problem of rectifying many distortions caused by the post-war inflation; the country is now entering an important period of preparing itself for the future economic expansion and development through making use of the accomplishments hitherto made.

Banking Development: Recently developed a tendency for banks to become more circumspect in extending loans on one hand, and to pay more attention to the liquidity as well as the safety and profitability of their investments in seeking employment of their resources. The increase in the past one year of the proportion of securities holding by banks is viewed in financial circles as an indication that bankers are more intent on the liquidity of their assets, and, together with the paying off of excess borrowings from the Bank of Japan, progress is being made toward normalcy in banking.

Bank Clearings: While the note circulation was on the decline from the beginning of 1954 and actually fell off below the level of the previous year in mid-August last, bank clearings still kept on increasing and were 20-30% above the level of the preceding year until last summer. But, this tendency has begun to slow down since and by May this year the above difference has been narrowed down to 10%. This may be explained by the fact that business firms, finding it hard at the initial stage of deflation to reduce their business volumes abruptly, yet being squeezed by money shortage, were forced to make the most of the deposit currency. Later, more normal relationship has been restored between the volume of business and clearings of bills on one hand and between the note circulation and deposit currency.

Monetary Ease: During the July-September quarter there will be an excess disbursement of ¥5,000 million from the Government's general budget and of ¥25,000 m. from the Foreign Exchange Fund or a total net disbursement of ¥30,000 m. against ¥5,100 m. withdrawals to the Gov't last year. Consequently, money market is expected to considerably ease off in this quarter. City banks will be well supplied with funds by the proceeds of exports, and provincial banks through receipts of purchase-money of wheat and barley and of rice to be delivered to the Government, while demand for money keeps low.

Special Procurements: According to the Economic Counsel Board, special procurements contracted during one year period of July, 1954-June, 1955 totaled some \$185,064,000 (\$78,547,000 for goods; \$106,517,000 for services). This is 37% less than the preceding year and the lowest since the opening of such contracts after the outbreak of the Korean war in 1950.

Iron & Steel Exports: The export contracts for iron & steel during the first half-year totaled 1,240,000 tons valued at \$158 m. according to Japan Iron & Steel Federation. The outlook continues good with higher export prices in Western countries and possibly greater demand for Japanese products from the U.K., India and South America.

Balance of Payments for First Half-Year: According to the Finance Ministry, foreign exchange accounts for the first half-year resulted in a surplus balance of \$140 m. with receipts of \$1,205 m. and payments of \$1,065 m.—a great improvement over the same period last year by \$318 m. Particularly, June saw a surplus balance of \$53 m.

Export Validation During First Half-Year: According to the Ministry of Int. Trade & Industry, export validation for Jan.-Jun. '55 reached a post-war high of \$887,712,000 or a gain of \$167,049,000 (23.2%) over the same period last year. This may be explained by greater exports to dollar and sterling areas, caused by business boom in the U.S. and easing of import restrictions on the part of Britain. Exports to the U.S. increased 73.5% and to dollar area as a whole 43.4%, compared with the like period last year; sterling area accounted for 59.6% increase, while there was 23.3% decrease in open account area.

Productivity Movement: Japan Productivity Center plans to designate some experimental plants, which the Center and business companies concerned will build through joint efforts as model plants for productivity increase. For the current fiscal year three chemical and machinery plants of different sizes in Yokohama area are to be chosen for the project.

General Economic Conditions: The Economic Counsel Board in its economic report for July says the characteristic feature of business lately is that, while export industries are generally well off from continued good sales for export, failures and insolvencies are on the increase in industries not favorably affected by export trade. Even the improvement in export is not sufficient enough to give rise to increased employment. In fact, employment decreased in May after an increase through March and April. Prices are but a shade weaker and nearly stable now, the index for mid-July having dropped only 0.1% in the last one month as compared with a fall of 1-2% each month since March. The balance of payments turned from \$1 million deficit in May to \$53 million surplus in June again. The mining and manufacturing production index for May is 4.3% above the level of a year ago, though 2.2% lower than April at 170.3 (1934-1936 = 100).

Budget Surplus for Fiscal 1954: The Finance Ministry published actual revenues and expenditures on General Account of the Government for fiscal 1954 ending March last. The total revenues amounted to ¥1,185,060 million and expenditures to ¥1,040,761 million, resulting in a surplus of ¥144,298 million. Deducting from this ¥65,428 million carried forward to fiscal 1955 and ¥40,806 million unused portion of the surplus brought over from fiscal 1953, the balance amounting to ¥38,064 million is the real net surplus for fiscal 1954. Half of this surplus will be paid to National Debt Consolidation Fund, and the other half will be reserved for the supplementary budget, if any, for the current fiscal year, and for the 1956 budget.

Borrowings by Business: Under the influence of stringent monetary policy, there developed a move in industrial field from about a year ago to liquidate excess borrowings by businesses and to seek improvement of the financial position. This has become more conspicuous of late, and the tendency is for business (1) to pay off borrow-

24 SEP. 1956

CHINA'S FOREIGN POLICY

Premier Chou En-lai outlined the present international situation and China's foreign policy to the second session of the First National People's Congress held recently in Peking. In this speech which is reproduced in part below, Mr. Chou repeated all the familiar claims: the American "occupation" of Formosa should be put to an end; the embargo on the shipment of strategic goods to China should be lifted; and a seat in the United Nations should be given to Peking.

In international affairs the Chinese Government strives for the noble cause of world peace and the progress of humanity. This policy is unalterable. We never spare our efforts in working for the reduction of international tensions and the promotion of peaceful co-existence between nations. We consistently stand for the settlement of international disputes by peaceful means. We welcome peaceful competition among nations with different social systems. China, together with India and Burma, puts forward the five principles of peaceful co-existence as fundamental principles guiding international relations and has in the first instance applied these principles in the Sino-Indian and Sino-Burmese relations. Recently, the proposition of keeping neutrality and non-participation in military blocs or coalitions has been gaining ground in certain countries. We are in agreement with the Soviet Union's proposal at the Four Power conference that should any of these nations raise the question of having their security and territorial integrity guaranteed, the great powers should meet their wishes. The Chinese Government respects the neutral position taken by certain countries of the Asian and African

ings from banks as much as possible, (2) to consolidate and reduce the number of banks with which they have business relations, and (3) to convert high interest into lower-rate loans. The restrictive policy taken checking enterprise and business expansion, the demand for money has generally declined, while the burden of money cost has come to be keenly felt by businesses. Thus progress is being made toward better and healthier business.

Balance of Payments: According to the Finance Ministry estimates, foreign exchange accounts in July resulted in a surplus balance in succession to June of \$40 million, thereby bringing our foreign exchange holdings at the month-end up to over \$1,300 m., which is the post-war high and compares with \$1,260 m. at end-June and the previous peak, \$1,180 m. at end-Sept., 1952. Balance of payments for the first half of the current fiscal year (Apr.-Sept.) is likely to end in a \$190 m. surplus.

Shipping Industry: Merchant vessels will number 1054 by September, 1955 with a total tonnage of 3,460,000 gross tons, including 2,610,000 tons of ocean-going vessels of over 3,000 tons each. Except for West Germany, Japan is the only one among the world's leading shipping countries that has not reached the pre-war level yet. As for the industry's financial phase, the total assets of 54 principal companies amount to Y261,200 million. Of this invested capital the borrowed capital totals Y231,300 m. and the companies' own capital Y29,900 m. The percentage of own capital against fixed assets is only 13% and the rest (87%) consists of outside capital. This abnormal feature may be explained by the fact that the industry suffered the loss of Y8,440,000 gross tons during the war or 80.6% damage, which is the biggest among all industries, while the wartime compensation amounting to Y2,600 m. (Y520,000 m. worth at present) was cancelled.

area and other areas and is ready to establish normal and friendly relations with these countries on the basis of the five principles.

The Chinese Government supports the unremitting efforts made by Germany to unify the country. Germany has been the hot bed of two world wars; therefore, to unite Germany into a peaceful and democratic state while precluding its militarization, is of great importance to the peace and security of the world. Reduction of armaments and prohibition of atomic and hydrogen weapons is a problem and solution of which the world urgently demand. If a world conference on general disarmament and prohibition of the atomic weapons as proposed by the Soviet Union is successfully convened, China will be ready, at that conference, to undertake obligations along with other countries. Since the founding of the People's Republic of China, we have already demobilized more than 4,510,000 men, and the defence expenditure in our 1955 budget constitutes only 24.19 per cent of the total expenditure. However, at present a concrete solution of the question of general disarmament is not yet achieved, the threat of an atomic war is not yet eliminated, the chain of military bases and military blocs encircling our country is not yet removed. We cannot but take into account the possibility of being suddenly attacked. In these circumstances, we must remain vigilant and must strengthen our national defence.

RELATIONS WITH JAPAN

Ten years have passed since the conclusion of World War II, and yet the state of war between China and Japan has not ended. A joint declaration was made by China and the Soviet Union in October 1954 concerning their relations with Japan, and since then, many further steps have been taken by the Chinese Government to promote the normalization of Sino-Japanese relations. The Chinese Government holds that artificial barriers should be removed so as to increase trade between China and Japan. In the past year, intercourse between the Chinese and the Japanese peoples has become more frequent, and, through friendly negotiations, positive results have been achieved in regard to fishery and trade.

SITUATION IN THE FAR EAST

The United Nations has not been able to play the part which it should have played in maintaining world peace and security, the lawful status of the People's Republic of China in the United Nations has not been restored to it and membership in the United Nations is not yet universal. The situation in the Far East is explosive. The peaceful unification of Korea has not been realized, the Geneva agreements on the restoration of peace in Indochina are being threatened, and a tense situation still prevails in the Taiwan area. In Indochina, the regrouping and transfer of military forces as provided by the Geneva agreements have already been completed. But, the implementation of the agreements faces the threat of renewed sabotage. In Vietnam, the most urgent task at present is that the responsible authorities of the two zones should, in accordance with the provisions of the Geneva agreements, begin consultations on July 20th, 1955, on the question of general elections. However, the authorities of South Vietnam have not only refused consultations, but have gone so far as to resort to violence of attacking the living quarters of the personnel of the International Commission on July 20th. Nor is the application of the Geneva agreements in Cambodia and Laos a cause for optimism. The countries which participated in the 1954 Geneva Conference have the responsibility of ensuring the strict implementation of the Geneva agreements. We con-

sider that the countries concerned should consult each other on the present threats to break the Geneva agreements. The 1954 Geneva Conference failed to reach an agreement on the question of the peaceful unification of Korea. Furthermore, the state of armistice in Korea is still unstable, the Neutral Nations Supervisory Commission, responsible for supervising the Korean armistice, is still faced with the danger of being wrecked.

LIBERATION OF TAIWAN

After the Korean armistice and the restoration of peace in Indochina, the situation in the Taiwan area has become the most tense in the Far East. It must be pointed out that this tension has been caused by the United States occupation of China's territory Taiwan and its interference with the liberation of China's coastal islands. This is an international issue between China and the United States. The exercise by the Chinese people of their sovereign rights in liberating Taiwan is a matter of China's internal affairs. These two questions cannot be mixed up. During the Asian-African Conference, the Chinese Government already proposed that China and the United States should sit down and enter into negotiations to discuss the question of easing and eliminating the tension in the Taiwan area. There is no war between China and the United States; the peoples of China and the United States are friendly toward each other; the Chinese people want no war with the United States, so the question of cease-fire between China and the United States does not arise. After the Asian-African Conference, the Chinese Government has further stated that there are two possible ways for the Chinese people to liberate Taiwan, namely, by war or by peaceful means. Conditions permitting, the Chinese people are ready to seek the liberation of Taiwan by peaceful means. In the course of the liberation by the Chinese people of the mainland and the coastal islands, there was no lack of precedents for peaceful liberation. Provided that the United States does not interfere with China's internal affairs, the possibility of peaceful liberation of Taiwan will continue to increase. If possible, the Chinese Government is willing to enter into negotiations with the responsible local authorities of Taiwan to map out concrete steps for Taiwan's peaceful liberation. It should be made clearly that these would be negotiations between the Central Government and local authorities. The Chinese people are firmly opposed to any ideas or plots of the so-called "two Chinas."

SINO-AMERICAN TALKS

The Chinese Government has taken a series of steps to relax the tension between China and the United States. On August 1st, China and the United States will start talks

in Geneva at the ambassadorial level. The purpose of these talks will be to aid in settling the matter of the repatriation of civilians of both sides, and to facilitate further discussions and settlement of certain other practical matters now at issue between both sides. In the past year, Sino-American talks at the consular level have been going on in Geneva. We are of the opinion that provided both sides are sincerely desirous of negotiation and conciliation, it should be possible in the forthcoming talks at the ambassadorial level to reach, first of all, a reasonable settlement of the question of the return of civilians to their respective countries. The number of American civilians in China is small, and their question can be easily settled. There are a great many overseas Chinese in the United States, among whom students alone number several thousands. We are of the opinion that since there are no diplomatic relations between China and the United States at the present time, each of them can entrust to a third country the task of looking after the affairs of its civilians in the other country, and primarily the affairs concerning the return of these civilians to their own country. If the United States is prepared to cooperate with China, the Sino-American talks at the ambassadorial level should be able to make preparations for negotiations between China and the United States for relaxing and eliminating the tension in the Taiwan Area. China is also concerned about the extremely unjust policy of blockade and embargo which obstructs trade between countries. It should be possible to remove such barriers so that peaceful trade between all countries will not be hindered. China would like to see the United States withdraw its armed forces from Taiwan and the Taiwan Straits.

COLLECTIVE PEACE PACT

China hopes that the countries of Asia and the Pacific Region, including the United States, will sign a pact of collective peace to replace the antagonistic military blocs now existing in this part of the world, so that the collective peace first advocated by the Indian Government may be realized. We recognize that for the above wishes to be fulfilled, it is necessary first of all that China and the United States should display sincerity in negotiations, that the two sides establish contacts to increase mutual understanding and trust. Only by efforts of both sides and reciprocal demonstration of goodwill, can the tension in the Taiwan area be relaxed and ultimately eliminated. The Chinese Government will continue to strive for a universal and lasting peace. However, if anybody should take our efforts as a sign of weakness or imagine that pressure or threats will have effect on us, he will not only meet with the opposition of the people of the world, but quickly find out that his calculations are wrong.

CHINA'S FOOD SITUATION

Reporting on China's food situation to the National People's Congress, Vice-Premier Chen Yung admitted that heavy floods last year reduced grain output in the flood-stricken areas and that there was a shortage of grain supply in many places. However, he claimed that the grain output of the country as a whole reached 169.5 million tons, exceeding the 1953 total of 166.8 million tons by 2.7 million tons. Grain exports in 1954 were greater than preceding years. 1,750,000 tons of soya bean and grain were exported. In the four years between 1927 and 1930, the annual gross export of grain was 1,150,000 tons. The average annual grain export for the four years between 1950 and 1953 was 1,550,000 tons. Although the amount exported last year was comparatively large, more than half of the exports consisted of soya bean. Cutting down necessary grain exports would reduce the import of industrial equipment and consequently lower the speed of socialist industrialisation.

The whole report is full of contradictory remarks. In one paragraph it boasted, "... not only do we have no need to import grain but we can continue to export a certain amount of grain." This was immediately followed by "... except for rice imported from Burma, we did not increase our imports. ..." On the shortage of grain supply in many areas, it read, "Grain supply in areas stricken by floods in 1954 was very stable. ... Due to under-estimation of the natural calamities, the supply of grain to the people stricken in some areas was insufficient for a time. ... Except for the affected areas of Kwangtung, Kwangsi and South Hunan, grain supplies in the flooded areas last year was stable and a tense supply situation did not develop." Reviewing the situation, Mr. Chen put the blame of the shortage of grain supply in many areas on the following:

(1) The government supply of grain in the cities was too liberal. Grain was wasted in many government organizations, schools, hospitals, factories and mines.

(2) The government control was inefficient and as a result, many who were in no need of grain were supplied and many who needed less supply were supplied too much.

(3) There was "excessive unified purchasing" of grain in areas which reaped a good harvest.

(4) Peasants were not accustomed to the government measures of unified purchasing and distribution of grain. Most of the peasants who said they were short of grain did not really need it!

(5) The "tense situation" was also caused by rumours created by former landlords, rich peasants and counter-revolutionaries who took advantage of the small proprietor sentiments of the peasants and certain shortcomings in the system.

Whatever were the reasons or excuses, there had been a shortage of grain in many parts of China in 1954 and the situation had been quite "tense". According to Mr. Chen, this tense situation was easily relieved by nothing more than some propaganda: "After these facts (points listed above) were explained to the peasants, the situation rapidly changed. Not only did the grain sales return to the normal level but also complaints about lack of grain became fewer."

Explaining the importance of unified purchasing and distribution of grain in China, Mr. Chen stated that in November 1953 when the Government introduced this new measure, the state could not procure the necessary amount

of grain by purchasing it on the market. At that time, the demand for grain increased in the cities, industrial and mining districts and in rural areas. Along with the improved living standards of the peasants, their grain consumption had also increased and they were not anxious to sell their surplus grain. It was obvious that, in order to procure enough grain to guarantee supply and make it impossible for merchants and rich peasants to manipulate the grain market, it was necessary for the government to practise the policy of unified purchasing and distribution of grain.

To bring about a fundamental improvement in China's grain situation, Mr. Chen admitted that it would be necessary to increase the output of grain. The basic method to raise grain production in great quantities is to develop cooperative farming. The number of agricultural producers' cooperatives must be increased. The 110 million farm households must be organised into one million agricultural producers' cooperatives. Up to the present, China has only 650,000 agricultural producers' cooperatives holding together 15 million farm households. When the remaining 100 million individual farm households are organized up, China's grain output will be greatly increased. Mr. Chen did not mention how long this would take. May be Mr. Chen should also explain why Soviet Union, with all its mechanized state farms and no more individual farm household, is still unable to produce enough grain for her population!

CHINA'S MILITARY SERVICE

The release of 11 American airmen and the secret conference between US and Chinese ambassadors in Geneva has started a chain reaction of optimism among some countries in the Free World. It is comforting to learn that the chance of an open conflict between US and China has greatly diminished, but it would be dangerous to sink into a deep coma of ignorance of China's basic policy and attitude. A few weeks ago when China celebrated her Army Day, Peking announced that the Army would achieve the liberation of Taiwan and the consolidation of the defence of the South-east coastal areas of China this year. General Peng Teh-huai, the Defence Minister, called upon the People's Liberation Army "to build up strength for the liberation of the Chinese territory of Formosa".

Presenting the Military Service Law to the People's Congress, Gen. Peng explained that in accordance with the present urgent needs, the voluntary enlistment system no longer answered current and future requirements and therefore must be replaced by the compulsory military service. The voluntary enlistment lacks in a system of periodic call-up and demobilisation and is unsuited to the purpose of accumulating powerful trained reserves. Powerful armed forces primarily depend on a combination of strong active units and reserves which could only be maintained by a system of compulsory military service. Why must China maintain powerful armed forces? The People's Daily in Peking, the mouthpiece of the Chinese Communist Party, frankly stated that obligatory military service would help to consolidate national defences and to complete the liberation of Taiwan.

The Military Service Law adopted by the People's Congress stipulates that all Chinese male citizens between the ages of 18 and 40 are obligated to take up military service, either active or reserve. Military service is obligatory irrespective of nationality, race, occupation, social status, religious belief or education. All counter-revolutionary elements and those denied their political rights by law are not eligible for military service. Men who are the sole family supporters or only sons are exempted from active service during peace-time. The calling into active service of students in universities and colleges will be postponed, but they will

be given military training in school. Women are exempted from military service, but the Defence Ministry will register women between the ages of 18 and 40 with medical, veterinary and other special technical training for reserve service and mobilise them in war-time for active service. Length of active service for non-commissioned officers and privates is three years in the ground and public security forces; four years in the airforce, coast-guard and sea-borne public security forces; and five years in the navy.

Non-commissioned officers and privates who entered the armed forces as volunteers prior to November 1st, 1954, will be demobilised and transferred to reserve service in stages. Military personnel on both active and reserve service enjoy the rights and duties of the citizens provided in the Constitution and also the rights and duties provided by military service. Officers and privates disabled on active duty will be pensioned by the state. Dependents of those who die on active duty will receive pensions. Militiamen will continue to maintain local security and protect production and construction, after the Military Service Law goes into force.

This law, introduced at the time when China is posing as a peace-loving country, could only mean one thing: that China is having difficulty to induce enough young men into the military service. The reason given in the second paragraph of this article is not convincing. Peking could demobilize every soldier today without making any law if it chose to do so. Furthermore, the call-ups in the past had always been adequate even on a "voluntary" basis. The real situation is that Peking is faced with a dilemma in which young men are needed urgently for the industrialisation of the country as well as for military service. Given the chance to choose between the industry and the army, few would hesitate in their decisions. The adoption of this obligatory military service requires that every youth must undergo a period of military training and then return to his work. The easing of the Far Eastern situation would make it possible for China not only to divert some of her resources to her industrialisation programme but also to carry out this two-edged programme and if it lasted long enough, would strengthen China's hand in future wars, be it hot or cold, in the international arena.

INVESTMENTS IN THE PHILIPPINES

NUMBER AND INVESTMENTS OF CORPORATIONS, BY NATIONALITY AND KIND OF BUSINESS: 1949-1954

	1949	1950	1951	1952	1953	1954
1. No. of Corporations by Nationality	476	616	572	469	587	604
Filipinos	390	533	488	394	511	549
Chinese	42	50	49	44	40	34
Americans	37	20	12	13	26	18
Others	7	13	23	18	10	3
2. Investments of Corporations by Nationality			(in pesos)			
Total	17,411,628	44,340,437	25,803,941	33,444,407	21,386,274	23,913,562
Filipinos	13,353,500	39,286,707	21,604,911	29,537,780	14,269,927	19,573,254
Chinese	2,061,210	3,321,325	2,723,150	2,929,827	3,661,017	3,146,898
Americans	1,656,193	755,780	412,090	539,900	787,358	738,760
Others	340,725	976,625	1,063,790	436,900	2,667,972	454,650
3. No. of Corporations by Kind of Business	476	616	572	469	587	604
Agriculture	27	52	66	46	31	38
Commerce	237	251	227	180	318	305
Construction	14	13	6	15	10	14
Electricity	5	10	11	1	2	4
Manufacturing	73	163	140	112	120	126
Mining	17	14	14	16	16	20
Services	79	95	89	82	69	61
Transportation	24	18	19	17	20	36
Not adequately classified	—	—	—	—	1	—
4. Investments of Corporations by Kind of Business			(in pesos)			
Total	17,411,628	44,340,437	25,803,941	33,444,407	21,386,274	23,913,562
Agriculture	1,425,525	2,517,370	1,348,202	869,116	608,773	1,343,909
Commerce	9,330,654	13,020,399	14,411,505	22,618,545	8,981,474	9,681,721
Construction	557,575	604,650	464,200	377,150	92,775	314,250
Electricity	48,850	548,533	1,762,335	7,700	11,752	65,000
Manufacturing	3,570,819	22,816,589	6,495,237	7,163,310	9,667,630	6,231,264
Mining	180,030	3,084,857	142,531	220,422	69,500	415,425
Services	1,369,111	1,036,490	737,011	1,817,164	966,470	2,782,443
Transportation	929,064	711,549	442,920	371,000	977,900	2,489,550
Not adequately classified	—	—	—	—	10,000	—

NUMBER AND INVESTMENTS OF PARTNERSHIPS, BY NATIONALITY AND KIND OF BUSINESS: 1949-1954

	1949	1950	1951	1952	1953	1954
1. No. of Partnerships by Nationality	246	415	728	766	703	682
Filipinos	104	207	297	320	333	373
Chinese	116	175	383	405	347	287
Americans	11	5	10	17	5	5
Others	15	28	38	24	18	17
2. Investments of Partnerships by Nationality			(in pesos)			
Total	13,987,100	18,762,196	40,806,987	32,693,789	30,830,649	30,405,561
Filipinos	3,566,631	6,954,812	14,334,380	11,070,737	10,185,183	11,666,864
Chinese	8,650,478	10,193,579	24,294,846	19,859,530	19,739,917	15,117,137
Americans	1,287,500	31,500	343,000	177,500	198,450	298,050
Others	482,491	1,582,305	1,834,761	1,586,022	707,099	3,323,500
3. No. by Kind of Business	246	415	728	766	703	682
Agriculture	22	12	30	40	31	39
Commerce	138	217	387	426	396	396
Construction	11	6	5	12	12	15
Electricity	1	3	3	6	2	—
Manufacturing	34	112	208	191	181	130
Mining	3	5	12	3	4	19
Services	34	56	77	82	66	62
Transportation	3	4	6	6	11	21
4. Investments of Partnerships by Kind of Business			(in pesos)			
Total	13,987,100	18,762,196	40,806,987	32,693,789	30,830,649	30,405,561
Agriculture	663,000	190,500	4,034,951	1,381,398	1,355,820	3,976,481
Commerce	9,440,639	12,105,868	23,447,171	20,284,293	18,499,126	19,295,494
Construction	648,500	141,200	209,000	548,654	341,960	318,900
Electricity	69,000	46,500	108,730	161,000	65,000	—
Manufacturing	2,169,500	5,496,562	11,088,190	9,130,006	8,577,554	5,242,377
Mining	69,000	46,500	108,730	60,000	130,800	378,724
Services	780,461	677,576	1,271,906	1,030,438	1,196,239	785,385
Transportation	156,000	30,990	572,600	98,000	664,150	408,200

ECONOMIC REPORTS FROM THE PHILIPPINES

GOLD MINES: Prompted by the low price of gold in the local free market, Agriculture Secretary Salvador Araneta, chairman of the gold subsidy board, announced the board would carry out a long term gold assistance program to strengthen the gold mining industry. P1,899,905 in subsidy payments had been released to aid the gold industry and an additional sum of P659,620 was awaiting release in the Central Bank. P681,000 would be allocated to different mining companies as follows: Benguet Consolidated, P424,000; Balatoc, P203,000; Itogon, P54,681, and Surigao, P86,000. The gold price skid in the local markets was due to the restricted movement of gold within and without the country, and the drop of gold price in the international market.

USE OF FOREST: Applications to cut, collect and remove all kinds of forest products from public woodlands for commercial purposes will be granted only after the director of forestry has called for public proposals to open the forest area for utilization. The forestry director is guided by the following: 1. Most appropriate and efficient logging equipment. 2. Most appropriate and efficient sawmill and/or processing plants. 3. Sufficient capital available for the purpose. 4. Assurance that applicant possessed the necessary knowhow or could provide services of competent personnel. 5. Assurance that the applicant is the person directly interested in the application and that he is not acting for and in behalf of any individual, partnership or corporation. 6. Preference to be given to applicant who himself disposed of his products directly to consumers, or in any manner that would best serve public interests.

SUGAR QUOTA: The International Sugar Council announced that the Philippine quota, set originally last April, was increased from 22,500 to 24,088 metric tons. The council released participating countries with a basic export tonnage of more than 75,000 metric tons from the agreement obligation not to export more than 80 per cent of their initial export quota before August 31.

GUAM'S FILIPINO WORKERS: The 15,000 Filipino labor force in Guam may soon be trimmed to a bare minimum in order to absorb into Guam the unemployed labor pool of Hawaii. Another factor that may increase the proposed trimming is the reported slash of Filipino personnel at Andersen Airforce Base because of the Strategic Air Command's policy of not hiring civilian workers. In this airforce base alone 400 Filipinos may be sent to the Philippines. There are an estimated 10,000 Filipinos working in United States naval installations, 2,000 with the airforce, and some 3,000 employed by private contractors. They remit approximately \$6 million yearly in wages and salaries to the Philippines.

REBUILDING HARBOR: Undersecretary of Public Works and Communications Rafael Contreras revealed a five-year plan to develop the Manila South Harbor at a cost of P8,000,000. Work on the project is to begin next July with an initial appropriation of P500,000 from port works special fund. The phases of the project would include dredging of the harbor to accommodate more ocean-going vessels inside the breakwater, changing the arrangement of breakwaters at the port, reconstruction of piers 5 and 7 and construction of a new pier and building of five warehouses in the customs zone. The Foreign Operations Administration assured technical assistance and equipment in the building of a new pier to cost P3,000,000.

FERTILIZER: The Maria Cristina plant is producing about 4,200 tons a month or 90,000 bags of fertilizer, equivalent to approximately 50,000 tons a year. This output is below the national requirement of 70,000 to 80,000 a year.

NEW RURAL BANK: The Binan Rural Bank opened on June 8, making it the 32nd of its kind established since the rural banks program was launched two and a half years ago. The organization of this rural bank exemplifies the faith of the people in the rural bank's program. Five out of the eleven organizers are investors in the Rural Bank of Canlubang Planters. Its organization dates back to the time when the board of directors of the Rural Bank of Canlubang, Laguna, decided to expand its business by opening a branch office in Binan, Laguna. This plan, however, was not carried out. Instead, the Binan Rural Bank was organized to afford the townspeople an opportunity to invest in another rural bank. The monetary board authorized the rural bank to operate with a capital of P500,000.

ACCFA ACHIEVEMENTS: Osmundo Mondonedo, administrator of the Agricultural Credit and Cooperative Financing Administration, revealed the achievements of the government credit agency. They are as follows: 1. Emancipated from rural usury, and made available the tools of production and the facilities for processing and marketing to more than 120,000 families. 2. Organized a Central Cooperative Exchange and 270 Cooperative Marketing Associations all over the country which have become the outlet for the farmers' produce and also the source for their needs. 3. Made credit available to producers of rice, corn, tobacco, melon, mongo, peanuts, cotton, onions, potatoes in localities where cooperatives exist. 4. Wrested from middlemen control of the marketing of rice in localities where cooperatives exist. Stabilized the price of rice and denied the alien middlemen a large part of annual profit (in trading only) of P125,000,000. 5. Wrested from middlemen, the marketing of onions and encouraged its production so that by the next year the P.I. shall be self-sufficient in this commodity. A P15,000,000 dollar-saving industry has been created giving employment to thousands of people. 6. Wrested from middlemen, the marketing of Virginia leaf tobacco and encouraged its production so that in two years the P.I. shall be self-sufficient in the commodity. A P30,000,000 dollar-saving industry has been created giving employment to thousands of people. 7. Raised productivity, increased income, and improved level of living of members. 8. Laid the groundwork for expansion of operations to include the coconut, abaca, salt, poultry, fruits and vegetable industries and the retailing of domestic sugar. 9. Renewed sense of confidence and capacity to improve their economic lot among a growing number of farmers through cooperative action and aided self-help. 10. Assured continued maintenance of peace and order in localities where Farmers' Cooperative Marketing Associations operate.

NEW MANILA BANK: A new bank in Manila, the Pacific Banking Corporation, capitalized at P10,000,000, was granted by the Central Bank a certificate of authority to register with the securities and exchange commission. The new bank will be the 16th commercial bank in the city, and is the first to be organized this year. It will be located and housed in a new edifice at 114 Rosario Street, in the heart of the city's banking district. The Pacific Banking Corporation will have a subscribed and fully paid in capital

of P4,000,000 at the time of registration and will be controlled by Filipino, Chinese and American stockholders. The new bank will offer complete facilities for commercial banking and will give emphasis on assistance to dollar-producing and dollar-saving enterprises.

PUBLIC WORKS: The council of state approved a P100,585,600 public works program to be financed with a bond issue and undertaken in the ensuing fiscal year. Eighty percent of the projects will be self-liquidating. Vicente Orosa, public works and communications secretary, headed the committee which prepared the program. The program is based on an act of congress authorizing the undertaking of specific public works projects and another law providing for the floating of bonds to finance these projects. The council of state approved the program with the understanding that not more than 20 per cent of the funds raised by bond issue would be used for non-self-liquidating projects as required by law. The council also required the secretary of public works and communications to certify the following: 1. In the case of self-liquidating projects, estimated profits should be sufficient to cover amortization of the bond issue. 2. In the case of non-self-liquidating projects, provision is made for a yearly appropriation from the general fund for the amortization of the bonded debt.

COPRA EXPORT: Favorable weather conditions may increase copra production to ten per cent above the 1,050,000 tons produced last year. Copra exports from the Philippines last year exceeded by 25 per cent the country's total copra exports in 1953.

AMBUKLAO POWER: President Magsaysay ordered a re-study of the allocation of power to be generated by the Ambuklao hydro-electric plant so that its lines could be extended to northern Luzon provinces in order that cheap power can be made available to cottage industries in that region. Ambuklao had a pending request in congress for the appropriation of \$31,000,000 to complete its hydro-electric project. The extension of power lines to northern Luzon would entail an additional outlay of P8,000,000. The government already invested P101,000,000 in this gigantic project, which was expected to supply electricity to Manila, Baguio, all mining camps in the Mountain Province, La Union and Tarlac. Considered the second highest rock-filled dam in the world, the Ambuklao project would have an initial power capacity of 75,000 kilowatt.

CANAL CONNECTING CHINA SEA WITH PACIFIC OCEAN: The House of Representatives passed recently House Bill No. 1702 which proposed to grant a franchise to the Philippine Canal Company, Inc. to construct, operate and maintain a navigable canal through the Isthmus of Quezon province from the municipality of Unisan on Tayabas Bay to barrio Plaridel, municipality of Atimonan on Lamon Bay. The canal if built will connect the Pacific Ocean with the China Sea. Proponents and supporters of the Canal measure pointed out as the benefits to be derived from the construction of the proposed waterway, the following:

1. It will shorten by 1000 nautical miles the voyage of offshore shipping coming and returning to the United States so that vessels running from 10 to 15 knots will save about three or four days every time they come to the Philippines and return to the United States.
2. With this shortening of their round trips, offshore shipping will substantially reduce their operational expenses and as a result offshore rates will go down.
3. It will hasten the development of coastal communities along the coast of Luzon and make feasible and practical the establishment of an International Free Zone, somewhere near the Pacific opening of the proposed canal.
4. Divert domestic shipping tonnage away from congested ports in the Visayas and Mindanao

HONGKONG NOTES

ANCIENT TOMB DISCOVERED

A tomb of about 1,500 years old was discovered last week in Li Cheng Uk Village, Kowloon. This is the oldest tomb so far uncovered in the history of Hongkong. Professor F. S. Drake, Director of the Institute of Oriental Studies at the Hongkong University who supervised the excavation, said that judging from the relics unearthed, the tomb was built during the Six Dynasties (between the Han and the Tang Dynasties). The tomb is made up of separate chambers arranged in the form of a cross. In the middle of the four joint chambers is a square measuring 90" x 90". On top of this square is a dome 108" high. The bricks which make up the chambers are of two colours—light red and light blue—and measure roughly 7" x 5" x 2". On the side of each brick are imprints of dragon or fish and diamond designs. On a few bricks were imprints of

Chinese characters of the "Li Shu" type which was commonly used during the Han Dynasty. Among the relics unearthed are pieces of bronze which, according to Professor Drake, are very rare items of that age.

NEW BUILDING PROJECTS

A new four-storey United States Consulate-General building will be erected adjacent to the present Consulate at 26 Garden Road. Construction will take about one year. The new building will face Garden Road, parallel to the present Consulate building. Once the new building is completed, the present structure will be demolished. Another 12-storey building, to be named Fung House, will be erected on the Praya next to the new Chinese General Chamber of Commerce building. This new \$2 million construction will replace the standing four-storey building at Nos. 18, 19, 20 Connaught Road Central. Demolition of the old structure will start shortly.

because interisland ships, with the opening of the canal, will establish new routes leading to the west coast of Quezon province.

MISCELLANEOUS: Governor Arsenio Luyag of Tarlac said that P7 million in national funds has been released for the construction of a giant irrigation system in the province. The biggest in Central Luzon, the system will irrigate thousands of hectares of rice land in some 15 municipalities and boost the economic life of some 20,000 persons by providing farms.

The Marinduque Iron Mines Agents, iron ore mining subsidiary of Elizalde and Company, announced the projected increase in the corporation's capital stock, and the payment of cash dividend. Philippine sugar producers have asked for a larger sugar marketing quota on the U.S. market. The Foreign Operations Administration turned over \$3,185,000 to the Philippines to aid President Magsaysay's campaign to strengthen domestic bulwarks against communism. FOA said agreements were signed on seven projects with procurement to be handled by the Philippine Council for U.S. Aid in Manila. Japan would buy 25 per cent of the scrap iron obtained from the salvage of sunken ships in the Philippines under the Japan-Philippines salvage agreement. Seven Japanese salvage firms are to start salvage operations in Manila and Cebu waters in August. A total of 57 sunken ships will be refloated and turned into scrap.

Civil Aeronautics Administrator Urbano B. Caldoza announced the construction of a new airport in Romblon in line with the administration's airport development program designed to extend air service to more parts of the country. The establishment of an airport in the province, which is entirely dependent upon surface transportation for its trade and communications with the rest of the country, will stimulate the development of its trade and commerce. Wm. H. Rennolds Company, through its affiliate, H. G. Henares & Sons, announced that machinery for the manufacture of Eberhard Faber pencils has been shipped to Manila and that production will start in a few months. The Atok-Big Wedge mining company at Baguio will soon resume its operation having obtained from the wage administration service the approval of its plan to pay the laborers a daily cash wage of P4 without deduction for facilities. Some 1,200 miners who were laid off several months ago, when the company stopped operations, will be re-employed.

NEW GENERATING PLANT

The Hongkong Electric Co., Ltd. has awarded the contract for the construction of the New Generating Station to The English Electric Co., Ltd. of London. The initial contract is for a value of approximately \$25 million and is the commencement of a new project ultimately intended to provide generating capacity for the Island of Hongkong to a total of 180,000 kW. The Station will be erected on a site adjacent to the existing Power Station at North Point. The present contract covers the installation of a 30,000 kW unit conforming to modern standard British practice. The English Electric Company is co-ordinating the whole contract through its General Engineering Projects Department and is supplying the steam turbo-alternator set, generator transformer and all other electrical and auxiliary equipment. Babcock & Wilcox Ltd. is supplying the boiler plant; British Insulated Callender's Cables, Ltd. all the cables; and George Wimpey & Co., Ltd. is carrying out all the civil constructional work including the power station buildings, foundation work, etc. Site preparations have already been commenced and the new plant will be put into commission early in 1959.

TAI LAM CHUNG RESERVOIR

The first stage of the construction of the new reservoir will be completed next year. It will bring the dam to a height of 150 feet. The length will be 1,000 feet. When the whole project is completed, the dam will be 200 feet high and 2,200 feet long. There also will be three subsidiary dams to block up low gaps in the Reservoir area. These will be built of compacted earth with concrete core and cut-off walls. The highest will be 70 feet. The dam is being built of cyclopean rubble, i.e. blocks of stone, called "plums," embedded in concrete. The plums vary in weight from one to six tons. Their inclusion in the dam saves cement and also makes the dam heavier. The upstream and downstream faces of the dam are built in granite facing stones, laid in alternating courses of 15 inches and 18 inches. The storage of water in the new reservoir will begin about the end of 1956.

EDUCATION IN HONGKONG

Government is considering the possibility of increasing the maximum enrolment at Grantham Training College as from next September. A total of 262,050 pupils are now studying in all types of schools throughout the Colony. During the past three months, 2 new primary schools with accommodation for 120 pupils were completed in the rural areas. Accommodation for a further 221 pupils was provided by extensions to one subsidized primary school and one private secondary school. Sites were recommended for three new schools which will eventually provide additional places for 1,295 pupils. There was no expansion of private school building during the quarter, apart from an extension of four classrooms at one school. One new night school was registered and three afternoon schools were opened in subsidized school premises, giving 737 extra places by the adoption of the two-session system.

ENTRY RESTRICTIONS RELAXED

Relaxations in restrictions on movement over the frontier at Lowu were announced by the Immigration Officer

last week. Bona fide residents of the Colony who are Cantonese in origin can now secure Frontier Passes enabling them to return to Hongkong. With effect from August 15, for a period of one month only, Cantonese now in China will be allowed to enter if, on presenting themselves at the border, they can prove that they are bona fide residents of HK. The possession of a Hongkong Identity Card, issued not less than six months prior to date of presentation at the Frontier, will be taken into account in considering a claim to be a bona fide resident of Hongkong. The Immigration Office has also made arrangements to facilitate the entry into Hongkong of persons wishing to visit the Colony as tourists. British Passport Offices and Consulates throughout the world may now issue Visitor's Visa (good for three months' stay in the Colony) without prior reference to the Immigration Officer. Under the new regulation a visitor may remain in the Colony for 14 days without being required to register with the Registrar of Aliens. Visitors other than British subjects staying more than 14 days are now merely required to forward to the Registrar two front view passport photographs. There is no need to call at the Immigration Office in person.

FINANCE & COMMERCE

HONGKONG EXCHANGE
MARKETS

For the week 8 to 13 August 1955

August	U.S.\$			
	T.T. High	T.T. Low	Notes High	Notes Low
8	\$583 $\frac{3}{4}$	583 $\frac{3}{4}$	581 $\frac{1}{2}$	580 $\frac{3}{4}$
9	583 $\frac{1}{2}$	582 $\frac{1}{2}$	580 $\frac{3}{4}$	580 $\frac{3}{4}$
10	583 $\frac{3}{4}$	582 $\frac{3}{4}$	581 $\frac{1}{2}$	580 $\frac{3}{4}$
11	583 $\frac{3}{4}$	582 $\frac{3}{4}$	581 $\frac{1}{2}$	580 $\frac{3}{4}$
12	584	583	582 $\frac{3}{4}$	581
13	584	583 $\frac{3}{4}$	582 $\frac{3}{4}$	581 $\frac{3}{4}$

D.D. rates: High 582 Low 581.

Trading totals: T.T. US\$2,040,000. Notes cash US\$400,000. forward US\$ 2,210,000. D.D. US\$275,000. The trend was somewhat steadier but change in rates is not expected. In T.T. sector, gold and general importers bought with usual offers from Japan and Korea. In Notes market, heavy local stock remained the important problem, which prevented speculators to take over-bought positions. Interest for change over in forward favoured sellers and amounted to HK\$3.62 per US\$1,000. Positions taken figured at US\$3 $\frac{1}{2}$ million. In the D.D. sector, business was quiet.

Yen and Piastre: The forward market continued sluggish. Cash quotations were for Yen \$1.425 per 100,000, and for Piastre \$822.50-800.00 per 10,000. Interest fixed for change over in forward for Yen was \$5.76 per 100,000, and for Piastre \$11.00 per 10,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.945-1.90, Japan 0.01435-0.0142, Malaya 1.8814-1.8805, Indochina 0.08-0.07815, Thailand

0.24575-0.242. Sales: Pesos 380,000, Yen 35 million, Malayan \$350,000, Piastre 9 million, Baht 6 million. Tradings increased somewhat on inflow capital, especially from the Philippines.

Chinese Exchange: People's Bank notes \$1.85 per Yuan. Taiwan Bank notes \$171-168 per thousand, and remittances at 157-155. Business very small.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.59-15.58, Australia 12.10-12.05, New Zealand 13.70-13.67, Egypt 14.80, South Africa 15.40-15.35, India 1.175-1.1725, Pakistan 0.99-0.98, Ceylon 0.96, Burma 0.64, Malaya 1.839-1.837, Canada 5.875-5.86, Philippines 2.105-2.095, Macao 1.025-1.015, Switzerland 1.35, France 0.015625-0.0156, Indonesia 0.12, Thailand 0.233.

Gold Market

August	High .945	Low .945	Macao .99
8	\$252 $\frac{3}{4}$	251 $\frac{1}{4}$	
9	252 $\frac{1}{4}$	251 $\frac{1}{4}$	
10	252 $\frac{1}{4}$	251 $\frac{1}{4}$	Low 251 $\frac{1}{4}$
11	252 $\frac{3}{4}$	251 $\frac{1}{4}$	
12	253 $\frac{3}{4}$	252	
13	252 $\frac{3}{4}$	252 $\frac{1}{2}$	252 $\frac{3}{4}$ High

The opening and closing prices were \$252 and 252 $\frac{1}{4}$, and the highest and lowest were 253 $\frac{3}{4}$ and 251 $\frac{1}{4}$. The market was very quiet with prices a little higher on steadier U.S.\$ rates and better demand for export. It was rumoured that Thailand may soon revise policy in regard to her gold import. With this stimulation, speculative activity remained small, and this proved that the gloomy outlook of the Exchange will continue. Trend was steadier but no major change is expected. Interest favoured sellers and totalled 68 cents per 10 taels of .945

fine. Trading total figured at 22,100 taels or averaged 3,680 taels per day, while positions taken worked at a daily average of 27,500 taels. Cash sales totalled 23,380 taels, of which 4,080 taels listed and 19,300 taels arranged. Imports were all from Macao and amounted to 8,500 taels. A shipment of 40,000 taels arrived in Macao

HONGKONG AND FAR EASTERN TRADE REPORTS

(August 1-13)

During the fortnight, the local commodity market was active mainly with orders from Japan for China produce, from Southeast Asia for Hongkong manufactures, and from Korea for various popular items. China restricted its purchases from here and developed more direct contacts with Southeast Asia; while Taiwan marked down export quotations for various staples, to solicit more trade. Buying offers however were usually low and the volume of business, particularly in metals and paper, was restricted by short stocks and increased costs of many popular items. Overseas demand for China produce was retained throughout the period; orders from Southeast Asia and UK for cotton yarns and piece goods kept prices firm in the local market; but transactions in pharmaceuticals and industrial chemicals were limited to small quantities.

TRADE DEVELOPMENT

Trade Restrictions: Government introduced a temporary ban on coal imports in order to reduce the present stock-pile in the Colony totalling about 50,000 metric tons. The normal stock level is about 16,000 metric tons representing HK's monthly coal consumption.

Freight Rates: The Trans-Pacific Freight Conference and New York Freight Bureau announced that as from November 1, freight rates for groundnuts from Hongkong to all Eastern Pacific ports would be increased.

China Trade: For every \$60 million worth of goods exported to Hongkong, China bought only \$10 million worth of imports from here. In Peking, China signed a contract with Egypt under which China will buy 40,000 bales of Egyptian cotton (13,000 tons). China will also buy 6,000 bales of cotton on the open market in Egypt. The new trade agreement between China and Finland will not increase the volume of trade as compared with last year but new commodities will be

via the Colony during the week. Exports figured at 12,000 taels, and were divided 6,000 taels to Singapore, 5,000 to Indonesia, and 1,000 to India. Differences paid for local and Macao .99 fine were \$11.80 and 11.70 respectively per tael of .945 fine. Cross rates worked in the Exchange were US\$37.77-37.76 per fine ounce. Contracts of a total of 32,000 fine ounces were concluded at 37.75 C.I.F. Macao.

Silver Market: The market was quiet. Bar silver quoted \$5.94-5.93 per tael with 1,000 taels traded, \$ coins 3.81 per coin with 900 coins traded, and 20c coins 2.93-2.92 per 5 coins with 1,000 coins traded.

exchanged. West Germany has resumed the regular trade with China. Recently, a German ship made her first visit to Shanghai since the war. To Southeast Asia, particularly to Malaya, China shipped substantial quantities of staples and light industrial products.

Taiwan Trade: Under US Aid Purchases, Taipei invited tenders for the supply of industrial equipment and buildings materials & equipment. Taipei also readjusted export floor prices for camphor products and feathers to solicit more trade: **Camphor powder**—Ordinary quality, US\$1.66 per kg to Asian ports; \$1.32 to US; \$1.38 to Central and South America; \$1.39 to Canada; \$1.53 to Europe; 11s to Australia; 11s 2d to South Africa, all c & f. **Special quality**, \$0.81 per pound to Asian ports; \$0.65 to US; \$0.68 to C. and S. America; \$0.69 to Canada; \$0.75 to Europe; 5s 5d to Australia; \$0.77 to South Africa, all c & f. **Camphor Tablets**—\$0.96 per lb to Asian ports; \$0.71 to US; \$0.74 to C. and S. America; \$0.75 to Canada; \$0.82 to Europe; 5s 11½d to Australia; \$0.84 to S. Africa, all c & f. **Camphor Oil**—\$0.53 per kg, fob Keelung; \$0.56 to Asian ports; \$0.66 to US; 4s 4d to Australia, \$0.62 to Europe; \$0.67 to S. Africa; \$0.68 to Canada, C. & S. America, all c & f. **Duck Feather**—\$0.45 per pound fob Keelung. **Goose Feather**—\$0.64 per pound fob.

Japan Trade: In the local commodity market, Japan provided strong demand for China produce. In return, Japanese products enjoyed a steady market in Hongkong. Large quantities of Japanese paper, metals, sugar, and cement were re-exported to Southeast Asia through local dealers. Merchants here also booked Japanese woollen piece goods for the coming Winter. In the meantime, Japan developed more direct business with Southeast Asia. This year, Japan plans to sell US\$200 million worth of exports to Indochina.

Korea Trade: US and Korea agreed on an exchange rate between Korean Hwan and the US dollar at 500 Hwan to the dollar. Meanwhile US\$ 1,267,400 were sold to importers in Seoul at the auction of US Military Aid Funds. The average rate was 729 Hwan to \$1. In the local market, Korea remained interested in paper, industrial chemicals, pharmaceuticals, cotton yarn, metals, wheat flour, sugar, and sundry provisions. Seoul also announced new regulations governing the import from Hongkong of items not manufactured here. This measure was introduced to prevent the infiltration of Communist goods into Korea through HK.

Indonesia Trade: There was a rush of shipments to Djakarta of items purchased by Indonesian importers with self-provided foreign exchange. Space on vessels calling at HK en route from

Japan to Indonesia was hard to get on account of the increased volume of Japan-Indonesia trade. Shipments effected during the period included 900 bales of cotton yarns, 1,200 bags of garlic, 50,000 dozens of flashlight batteries, 5,000 dozens of shirts and underwears, and sundries. A vessel scheduled to sail on August 28, has already accepted bookings totalling 1,200 tons: 100,000 dozens of flashlight batteries; 1,500 cases of enamelware; over 10,000 dozens of underwears; and over 500 cases of aluminiumware.

Burma Trade: Shipments to Rangoon during the fortnight consisted of substantial quantities of Hongkong products—enamelware, underwear, piece-goods, shirts, towels, bed-spread, vacuum bottles, and sundries. Authorities in Burma also allocated foreign exchange amounting to 2 million kyats for wheat flour. Rangoon invited tenders for the supply of 50,000 cases of condensed milk and 100,000 cases of embroidery threads. Meanwhile, Burma chartered two ships to carry Chinese goods from Whampoa to Rangoon under the Burma-China barter trade agreement (150,000 to 200,000 tons of Burmese rice for Chinese industrial equipment and general merchandise). Burma also sold 30,000 tons of rice to USSR and 20,000 tons to Indonesia.

Malaya Trade: Singapore and Malaya sent here orders for tea, garlic, dried chilli, and beans. These transactions, however, were limited to small quantities as Malaya bought the major portion of her supply direct from China. The direct trade between Japan and Malaya curtailed the re-exports of Japanese goods from here to Malayan ports. Japanese shipping companies have placed more than 70 vessels on the Japan-Malaya line to pick up rubber, iron ore, and bauxite from Singapore and other Malayan ports. In return, Malaya imports cotton fabrics, rayon, iron and steel products, rubber and paper manufactures, dried fish, and other foodstuffs from Japan.

Thailand Trade: As a result of the increased rice exports, Bangkok sent here more orders for cotton textiles, metal products, cotton blankets, paints, woodoil, gunny bags, raw cotton, newsprint, shirts, structural steels, pharmaceuticals and sundry goods.

Indochina Trade: Shipments to Vietnam, Cambodia and Laos of goods purchased by these countries with American Aid Funds showed improvements during the period. More than 10 vessels are now running the HK-Indochina route. Hongkong manufactured goods (cotton yarns and textiles, enamelware, shirts and underwears, vacuum bottles, etc.) constitute a large portion of these shipments.

COMMODITIES

China Produce: Regular supplies from China included 60 tons of wood-oil, 255 drums of groundnut oil, 7,834 bags of rice, 5,326 bags of beans, and

416 bales of silk waste. India lifted export restrictions on oils, oil seeds, rice bran, et cetera. Taiwan readjusted export floor prices for camphor products and feathers. On the other hand, demand for China produce from Japan, Southeast Asia, and Europe remained strong during the fortnight. Feathers and menthol crystals gained on steady shipments to Europe. Citronella oil improved from the initial decline when stock dwindled and demand from Europe sustained. Raw silk advanced on increased cost and further stimulated by high prices in Europe and Southeast Asia. Tea registered sales to Singapore, Europe, and Africa and prices were marked up when India increased the tax on tea exports. Dried ginger and chilli improved on short stock and steady demand from Middle East and Southeast Asia. Groundnut oil failed to improve on the increased cost of Indian products due to heavy arrival from China. Sesame enjoyed steady demand from Japan, Canada, Korea, and local mills but selling pressure kept prices down. Maize and soya beans were favoured by Japan but prices failed to improve on account of heavy arrivals from Thailand and China respectively. Demand for other popular items from various sources included:—Australia—hog bristles and woodoil; Japan—green peas, rosin, sunflower seeds, mustard seeds, and woodoil; Europe—aniseed oil, cassia lignea and hog bristles; Southeast Asia—cassia lignea, turmeric, rosin, toasted garlic, and green peas.

Metals: Increased cost of European, Japanese, and British products improved mild steel round bars, galvanized iron sheets, blackplate waste, zinc, boiler plate et cetera in the local market. Hongkong manufactured mild steel round bars were further stimulated by strong demand from Southeast Asia, New Zealand, and Africa. Blackplate waste waste registered bulk sales to local enamelware factories. Low stock pushed up quotations for copper sheets, zinc sheets, brass rods, and scrap iron. Trading in the local market was curtailed by low buying offers from Southeast Asia and short stocks of some popular items.

Paper: Short stock and demand from Korea for European woodfree printing, newsprint in reels, unglazed kraft, M.G. white sulphite, and transparent cellulose paper sent prices of these items to higher levels. Japanese woodfree printing, however, dipped at the beginning of the month on account of heavy arrivals; but later firmed up on orders from Indochina. The volume of trade was limited by low buying offers from Korea and Southeast Asia and there were more enquiries than orders from Thailand and Indochina for newsprint in reams, M.G. cap, and duplex board of Chinese and Japanese origins.

Industrial Chemicals: Prices of popular items were kept steady by small local orders and overseas enquiries. Korea was interested in lithopone, sodium cyanide, sodium bicarbonate,

sodium nitrate, ammonium bicarbonate, linseed oil, and formalin; Taiwan in gum copal; China in tanning extract; Thailand in calcium hypochlorite, copper sulphate, and bleaching powder; Indochina in caustic soda; and local factories in gum arabic, caustic soda, sodium cyanide, calcium hypochlorite, glycerine, and rongalite C lumps.

Pharmaceuticals: The market was very quiet as there were more enquiries than orders from Korea for quinine powders, aspirin powder, neosalvarsan ampoule and PAS; and from Southeast Asia for penicillin preparations, quinine powders, sulphonamides, and saccharine crystal.

Cotton Yarns: HK mills have received enough orders from Korea, Southeast Asia, and UK to keep the spindles running for the next few months. Local stock was almost exhausted and prices in the market improved. Hongkong will also export US\$1 million worth of cotton yarn to Pakistan. Under the terms of the agreement reached with Pakistan and US, HK would buy US raw cotton with the rupees earned from this transaction. Japanese products registered very little business; but prices remained firm on marked-up indents. Local dealers booked 200 bales of Indian yarns on account of attractive prices: 10's, \$780 per bale; 20's, \$910; 26's \$1,010. Hongkong products were \$900 for 10's and \$1,150 for 20's.

Cotton Piece Goods: Orders from UK and Southeast Asia were placed direct with local weaving factories. Prices in the local market were firm.

Rice: Arrivals from Thailand were heavy. Trading in the local market was slow. Prices were kept steady by increased cost of Thai rice.

Wheat Flour: Stock shortage improved Canadian soft flour and American clear flour. Local demand and enquiries from Burma and Indochina kept American and Australian soft flour steady. The volume of business was limited as most of the transactions were still under negotiation by the end of last week.

Sugar: Demand from Indochina, Thailand, and Korea firmed Japanese products from the initial decline. Taiwan sugar remained firm on low stock; while Taikoo refined enjoyed steady local and Singapore business.

Cement: Heavy arrival from Japan was well absorbed by increased local consumption. Most of the orders had been booked by local building contractors. Indent price of Japanese cement was \$117.20/\$117.50 per ton cif HK. Green Island products remained firm at \$8 per 112-16 bag for Emeraldcrete rapid hardening cement and \$7.10 per bag for Emerald brand.

Hongkong Manufactures: Karachi enquired for various Hongkong products; Nigeria wanted to buy enamelware, sports wear, electric supplies, toys, cotton knitted wear, electric bulbs, glass ware, raincoats, umbrellas, rubber shoes, leather shoes, stockings, and

stationery. Shipments to Ceylon included shirts, electric flashlights, raincoats, and rubber shoes. Orders from Indonesia covered cotton yarns, piece-goods, flashlight batteries, enamelware, and sundries. Large shipments of Hongkong manufactures were also shipped to Thailand, Burma, and Indochina.

HONGKONG SHARE MARKET

The market was uncertain at the end of last week and the turnover reduced. There was no shortage of money for investment. Buyers were probably waiting for prices to drop further. **Monday:** Further losses were sustained in early trading but towards noon buyers reappeared and the market staged a partial recovery. Hotels were erratic and fell as low as \$16.90 in some brisk trading but closed at \$19½ buyers, well above the opening rate of \$19.10. Utilities were active and began to improve as demand increased. Cements also hardened during the day. The undertone at the close was steady and the turnover amounted to \$2.53 million. **Tuesday:** The market continued to recover. Light scale profit-taking, however, caused prices to move within narrower limits. Hotels and China Lights were the most active stocks and regained good ground. There was some heavy trading in H.K. Banks which were well supported at the lower level of \$1,810. Recent favourites such as Cements, Dairy Farms, Electrics and Telephones all advanced to better levels. The undertone was steady throughout and the turnover for the day amounted to \$3.62 million. **Wednesday:** The market was quite active during the half day session with the turnover amounting to \$1.4 million. Interest was well spread with rates remaining steady and where changed fractional gains were registered, notably in China Lights and Trams. Rubbers also advanced in sympathy with higher advices from Singapore. The undertone was again steady. **Thursday:** The market weakened soon after the opening which resulted in a recession in prices all round. The decline started in the Utility group which eventually affected most other issues. Rubbers were also out of favour due to the lower advices from Singapore for the commodity at Str. \$1.425 per lb. The turnover for the day amounted to \$1.43 million. **Friday:** The market was again in hesitant mood and the majority of counters drifted to lower levels with traders holding off for cheaper bargains. A good quantity of H.K. Banks changed hands at \$1,780 at which rate there were buyers at the close. Telephones were also active and remained steady throughout while Hotels rose against the trend. Lack of support elsewhere caused prices to yield further ground. The undertone at the close was uncertain and the turnover amounted to \$1.9 million.

DIVIDENDS

The Star Ferry Company, Limited, announced an interim dividend of \$3.50 per share, free of tax, in respect of the current financial year. The Textile Corporation of Hongkong, Ltd., reported a profit of \$810,000 for the year ending March 1955. The Hongkong Tramways, Ltd., announced an interim dividend of 40 cents per share, less tax, in respect of the year ending December 1955.

A. R. Burkill & Sons (Hongkong) Ltd., the General Managers of AMALGAMATED RUBBER ESTATES LTD., announced last week that the output from the Estates for the month of July, 1955 amounted to 640,804 lbs. This is the first month's crop of the financial year ending 30th June, 1956.

SINGAPORE SHARE MARKET

Following the August Bank holidays, markets were quickly on the move, and for a four day period a satisfactory volume of business was written. With rubber above \$1.50 per lb., Rubber shares had widespread inquiry and considerable marking up. Singapore Industrials took a turn for the better, but Tins, without Federation or London support, were inclined to be overlocked.

For the second time within a month, and for the same reason, Gammons enjoyed a sharp upward spurt. This week's rise, however, was due not to rumour, but to the actual announcement that the Company will be sharing a contract for the construction of the runway at Kaitak Airport, Hongkong. The shares moved from \$2.57½ to \$2.82½. Fraser & Neave Ords. had fair turnover at \$1.67½ and closed \$1.72½ buyers while Malayan Cement were continuously sought after and reached \$1.52½. Robinson Ords. had business at \$2.27½, Sime Darby at \$2.00 and Singapore Cold Storage came back to \$1.67½. Straits Traders had a large turnover at \$22.50 and \$22.60 and Wm. Jacks at \$3.10. Hongkong Banks had business at \$985 and on the London Register at £97½, excluding stamp, while British Borneo Petroleum, conforming to the movement of oil shares on the London market, fell back to 46/10½ middle.

Little interest was shown in Tin shares and only Petalings had continuous exchanges, closing at \$4.65 ex dividend. Lower Perak, despite the magnitude of its appeal, fell to 12/9 before recovering to 13/- and Rawang Tin surprisingly were on offer at 10/9. The Austral Amalgamated 1/- dividend did not satisfy speculators and business down to 15/9 cum dividend was recorded.

The Rubber share section remained in good grace and shortage of scrip was general.

HONGKONG COMPANY INCORPORATIONS

The following new companies were incorporated in Hongkong during the period from July 18 to August 6, 1955:

Tingkwon Metal Manufactory Limited: Nominal Capital, \$500,000; Registered Office, 56 Gloucester Road, Hongkong; Subscribers, Woo Kai Lea, 56 Gloucester Road, Hongkong, Merchant; Cham Lim, 91 Marble Road, Hongkong, Merchant, Solicitor.

Hongkong Knitters Limited: Nominal Capital, \$10,000; Subscribers, F. D. Hammond, 36 Dina House, Hongkong, Solicitor; F. G. Nigel, R.B.L. 536 Deep Water Bay, Hongkong, Solicitor.

Sha Tin Theatre, Limited: Nominal Capital, \$200,000; Registered Office, Sha Tin, New Territories; Subscribers, Li-Kai Chu, 35 Kin Wah Street, North Point, Hongkong, Merchant; Deacon Te-Ken Chiu, c/o Tsuen Wan Theatre, Tsun Wan, New Territories, Merchant.

The World-Wide Steamship Company, Limited: Nominal Capital, \$1 million; Registered Office, 420 Marina House, Hongkong; Subscribers, Te-Huai Chiang, 34 Kimberley New Street, Kowloon, Merchant; Sui-Loong Pao, 31 Seymour Road, Hongkong, Merchant.

Hip Yick Company, Limited: Importers and exporters; Nominal Capital, \$300,000; Registered Office, 402 Loke Yew Building, Hongkong; Subscribers, Chen Chang Cheng, 26A Austin Avenue, Kowloon, Merchant; Yiu Shing Fun, 158 Portland Street, Kowloon, Merchant.

Interore Korea, Limited: Importers and exporters; Nominal Capital, \$100,000; Alexandra House, Hongkong; Subscribers, J. R. Oliver, 2 Castle Steps, Hongkong, Solicitor; R. W. Dyer, 2 Castle Steps, Hongkong, Solicitor.

Atlas Stevedoring & Lighterage Company, Limited: Nominal Capital, \$1 million; Registered Office, 5 Queen's Road Central, Hongkong; Subscribers, Max Hugo Volkart, 524 The Peak, Hongkong, Merchant; Peter Alan Lee Vine, 15 South Bay Road, Hongkong, Solicitor.

Luen Foong Loong Limited: Importers and exporters; Nominal Capital, \$400,000; Registered Office, 313 Des Voeux Road Central, Hongkong; Subscribers, Young Soo Kwei, 77 Wongneichong Road, Hongkong, Merchant; Ng Chun Chin, 77 Wongneichong Road, Hongkong, Married Woman.

Trilon Company, Limited: Importers and exporters; Nominal Capital, \$300,000; Registered Office 84 Jervois Street, Hongkong; Subscribers, Siu Ping Sheung, 60 King's Road, Hongkong, Merchant; Ying Hok San, 326 King's Road, Hongkong, Merchant.

The Swank Shop Limited: Silk mercers, silk weavers, cotton spinners, etc.; Nominal Capital, \$100,000; Subscribers, Augusto Antonio Noronha, 37 Austin Road, Hongkong, Clerk; Ma Sun Pui, 7 Luard Road, Hongkong, Clerk.

Nam Wo Hong Limited: Exporters and importers; Nominal Capital, \$1

million; Registered Office, Alexandra House (Room 610), Hongkong; Subscribers, Li Fook Shu, 6 Kennedy Terrace, Hongkong, Chartered Accountant; Li Fook Wo, 8 Conduit Road, Hongkong, Banker.

Compania Maritima Del Mar Austral (Hongkong) Limited: Nominal Capital, \$100,000; Registered Office, 418 Union Building, Hongkong; Subscribers, Martin Leo Gaggino, Chiltern Drive, Braddell Heights, Singapore 13, Master Mariner; Dorothy M. Gaggino of same address, Married Woman.

Paulsen & Bayes-Davy Limited: Marine, ship and cargo surveyors; Nominal Capital, \$100,000; Registered Office, Alexandra House, Hongkong; Subscribers, Samuel Clifford Smith, 304 Grand View Mansion, Hongkong, Marine Surveyor; R. W. Dyer, 22A Kennedy Road, Hongkong, Solicitor.

Pacific Textile Limited: Nominal Capital, \$500,000; Registered Office, 283 Yu Chau Street, Kowloon; Subscribers, Wong Chok Man, 413 Hongkong Hotel Building, Hongkong, Merchant; Lui Kim Lung, 413 Hongkong Hotel Building, Hongkong, Merchant.

Herald International, Limited: Importers and exporters; Nominal Capital, \$50,000; Subscribers, W. I. Cheung, 2 Queen's Road Central, Hongkong, Solicitor; P. J. Griffiths, 2 Queen's Road Central, Hongkong, Solicitor.

Belfont Company (Hongkong) Limited: Importers and exporters; Nominal Capital, \$50,000; Subscribers, W. I. Cheung, 2 Queen's Road Central, Hongkong, Solicitor; P. J. Griffiths, 2 Queen's Road Central, Hongkong, Solicitor.

HONGKONG'S TRADING PARTNERS IN 1954

Part XV

SWITZERLAND

	Imports \$	Exports \$
Meat and meat preparations	1,130	—
Dairy products, eggs and honey	29,917	—
Fish and fish preparations	—	131
Cereals and cereal preparations	—	253
Fruits and vegetables	46,299	47,510
Sugar and sugar preparations	187,687	—
Coffee, tea, cocoa, spices and manufactures thereof	102,613	14,529
Miscellaneous food preparations	120,653	5,987
Beverages	9,298	—
Hides, skins and fur skins, undressed	—	546,177
Textile fibres	70,275	1,053,462
Animal & vegetable crude materials, inedible, n.e.s.	9,970	117,371
Chemical elements and compounds	984,741	35,053
Dyeing, tanning and colouring materials	15,152,262	—
Medicinal and pharmaceutical products	1,590,759	—
Essential oils and perfume materials; toilet, polishing and cleansing preparations	285,665	—
Explosives and miscellaneous chemicals and products	400,317	—
Leather, leather manufactures, n.e.s., & dressed furs	18,053	160
Rubber manufactures, n.e.s.	1,064	—
Wood and cork manufactures (excluding furniture)	—	1,923
Paper, paperboard and manufactures thereof ..	15,312	—
Textile yarn, fabrics, made-up articles and related products	2,204,044	806,505
Non-metallic mineral manufactures, n.e.s.	86,448	38,241
Silver, platinum, gems and jewellery	225,375	121,905
Base metals	36,927	—
Manufactures of metals	122,360	6,182
Machinery other than electric	1,149,596	—
Electric machinery, apparatus and appliances ..	1,286,347	—
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	4,274	7,158
Furniture and fixtures	4,740	1,458
Travel goods, handbags and similar articles ..	45,120	10,765
Clothing	164,107	374,931
Footwear	—	96,569
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	80,133,021	—
Miscellaneous manufactured articles, n.e.s.	64,115	125,912
Total Merchandise	104,550,499	3,395,482
Gold and specie	19,415,690	—
Grand Total	123,966,189	3,395,482

TURKEY

Fruits and vegetables	5,240	—
Hides, skins and fur skins, undressed	—	395,617
Textile yarn, fabrics, made-up articles and related products	—	60
Non-metallic mineral manufactures, n.e.s.	—	239
Silver, platinum, gems and jewellery	—	11,594
Manufactures of metals	—	4,100
Machinery other than electric	—	64,393
Electric machinery, apparatus and appliances ..	—	41,379
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	—	3,040
Furniture and fixtures	—	6,763
Travel goods, handbags and similar articles ..	—	840
Clothing	—	4,353
Miscellaneous manufactured articles, n.e.s.	—	2,164
Total	5,240	534,542

U.S.S.R.

Medicinal and pharmaceutical products	107,200	—
Total	107,200	—

EASTERN EUROPE

	Imports \$	Exports \$
Meat and meat preparations	35,400	—
Sugar and sugar preparations	2,081,866	—
Coffee, tea, cocoa, spices and manufactures thereof	36,428	—
Chemical elements and compounds	572,397	—
Dyeing, tanning and colouring materials	31,984	—
Medicinal and pharmaceutical products	68,432	—
Fertilizers, manufactured	5,667	—
Explosives and miscellaneous chemicals and products	13,462	—
Leather, leather manufactures, n.e.s., & dressed furs	59,679	—
Rubber manufactures, n.e.s.	42,218	—
Wood and cork manufactures (excluding furniture)	54,909	—
Paper, paperboard and manufactures thereof ..	8,764,108	—
Textile yarn, fabrics, made-up articles and related products	4,478,496	—
Non-metallic mineral manufactures, n.e.s.	2,716,827	—
Silver, platinum, gems and jewellery	19,570	—
Base metals	309,793	—
Manufactures of metals	47,474	—
Machinery other than electric	121,731	—
Electric machinery, apparatus and appliances ..	1,896	—
Transport equipment	1,320	—
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	66,581	—
Furniture and fixtures	47,403	—
Clothing	13,029	—
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	292,720	—
Miscellaneous manufactured articles, n.e.s.	36,093	—
Total	19,909,463	—

EUROPEAN COUNTRIES, OTHER

Meat and meat preparations	—	68,650
Fish and fish preparations	24,475	—
Fruits and vegetables	476,511	37,711
Coffee, tea, cocoa, spices and manufactures thereof	185,741	83,815
Miscellaneous food preparations	331,815	9,090
Beverages	—	207,182
Hides, skins and fur skins, undressed	1,635,015	—
Wood, lumber and cork	—	72,480
Metalliferous ores and metal scrap	—	242,928
Animal & vegetable crude materials, inedible, n.e.s.	—	—
Animal and vegetable oils (not essential oils), fats, greases and derivatives	6,381	—
Chemical elements and compounds	125,183	—
Dyeing, tanning and colouring materials	11,430	—
Explosives and miscellaneous chemicals and products	120,903	726
Wood and cork manufactures (excluding furniture)	1,179,326	100
Paper, paperboard and manufactures thereof ..	—	13,115
Textile yarn, fabrics, made-up articles and related products	70,974	72,663
Non-metallic mineral manufactures, n.e.s.	—	207,752
Silver, platinum, gems and jewellery	—	84,442
Manufactures of metals	—	7,771
Machinery other than electric	776	—
Electric machinery, apparatus and appliances ..	60,561	29,737
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	—	151,557
Furniture and fixtures	—	7,117
Travel goods, handbags and similar articles ..	—	5,767
Clothing	—	78,402
Footwear	—	17,202
Professional, scientific and controlling instruments; photographic & optical goods; watches & clocks	5,000	2,642
Miscellaneous manufactured articles, n.e.s.	132,625	49,764
Total	4,366,736	1,450,613

(End)